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ABSTRACTS

Performance in a Hostile World: economic growth in capitalist democracies, 1974-1980

By G. GARRETT and P. LANGE

Many recent studies argue that labor organization and government partisanship were important determinants of the economic performance of the advanced industrial democracies during stagflation. They do not, however, take into account the potential impact on performance of position in the international economy; the relationships reported may therefore be largely spurious. Even when the strong effects of international position, most notably the extent of dependence on imported sources of oil, were controlled for, domestic political structures remained powerful determinants of economic performance during stagflation. "Corporatist" political economies dominated by leftist governments in which labor movements were densely and centrally organized, and "market" political economies in which labor was much weaker and rightist governments were predominant, performed significantly better than the less coherent cases in which the power of labor was distributed asymmetrically between politics and the market.

The Theory of Games and the Balance of Power

By R. H. WAGNER

The theory of games is used to investigate several controversial issues in the literature on the balance of power. A simple model of an international system is presented as an n-person noncooperative game in extensive form, and the stability of both constant-sum and nonconstant-sum systems is examined. It is shown not only that constant-sum systems with any number of actors from two through five can be stable, but also that stability is actually promoted by conflict of interest. Contrary to much of the literature, however, there is a well-defined sense in which the most stable system is one with three actors. In each type of system, there is at least one distribution of power that leads not only to system stability but also to peace. Some of these peaceful distributions are more stable than others, and these more stable distributions are shown to be characterized by inequality rather than by equality of power. It is possible to distinguish between a bipolar and a multipolar type of stable distribution, the properties of each of which resemble, to some degree, assertions made about them in the literature. Finally, contrary to much of the recent literature on international cooperation, an increase in the ability of states to make binding agreements may actually diminish the stability of international systems.

The Weapons Succession Process

By M. KALDOR

The weapons succession process is an analysis of military-technological change that draws upon classical economics and recent theories of bureaucratic politics. The analysis focuses on the institutional mechanisms for reconciling the demand for weapons with the supply of weapons. In wartime, the demand for weapons, determined in battle, shapes military-technological change. In peacetime, different styles of military-technological change depend on different types of supplier institutions; military-technological change is described as "baroque" in the West and "conservative" in the Soviet Union. The essay speculates about the implications of different styles of military-technological change for economic development and for arms limitation.

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The Political Economy of Industrial Growth in India

By M. WEINER

The deceleration of industrial growth in India since the mid-sixties has opened up a debate over industrial policy as the new government of Rajiv Gandhi has attempted to replace many bureaucratic controls by market processes. A central issue is whether the deceleration is due primarily to inadequate investment in key sectors of the economy (a point on which there is considerable agreement) or whether resources have also been inefficiently employed. State controls put in place by antibureaucratic and anticapitalist socialists created interests within the bureaucracy, the governing Congress Party, and the business community, which sustain an industrial structure that the present government, its new orientation notwithstanding, will find difficult to dismantle.

Are Arab Politics Still Arab?

By J. D. GREEN

For many scholars and observers of the Middle East, the uniqueness of the Arabs has proved to be far more interesting than those areas of Arab political life that exhibit similarities with politics elsewhere. Some of the studies reviewed here provide a partial corrective to this gap. They suggest that Arab politics, much like politics in other settings, is concerned with issues of socioeconomic change and conflict, problems of legitimacy, the role of competing ideologies, and elite factionalism. Those of the studies that highlight the weaknesses of pan-Arabism are more persuasive than those that emphasize its vitality. What is needed now is the ability to determine where we can usefully generalize about Arab politics and where politics in the Arab world are in fact unique. The social-scientific approach is deemed more likely to accomplish this analytical goal than the traditional area-studies and policy approaches.

The Study of International Relations in Great Britain: Further Connections

By G. M. LYONS

Aside from language, students of international relations in the United States and Great Britain have several things in common: parallel developments in the emergence of international relations as a field of study after World War I, and more recent efforts to broaden the field by drawing security issues and changes in the international political economy under the broad umbrella of "international studies." But a review of four recent books edited by British scholars demonstrates that there is also a "distance" between British and American scholarship. Compared with dominant trends in the United States, the former, though hardly monolithic and producing a rich and varied literature, is still very much attached to historical analysis and the concept of an "international society" that derives from the period in modern history in which Britain played a more prominent role in international politics. Because trends in scholarship do, in fact, reflect national political experience, the need continues for transnational cooperation among scholars in the quest for strong theories in international relations.

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PERFORMANCE IN A HOSTILE WORLD: Economic Growth in Capitalist Democracies, 1974-1982

By GEOFFREY GARRETT and PETER LANGE

Introduction

Many recent comparative studies in political economy attempt to explain the divergent levels of economic performance among the advanced industrial democracies during the stagflation of the latter half of the 1970s and early 1980s.[1] They emphasize domestic factors as determinants of economic performance in the Western economies after a series of supply shocks and the reduced aggregate world demand that followed the oil crises of 1973 and 1979. They also generally associate differences in governmental partisanship and the organizational characteristics of the trade union movement on the one hand, with variations in growth, unemployment, and inflation rates on the other. Put simply, where the Left was politically strong and the trade union movement was centralized and unified, the economy performed somewhat better than where these conditions were less prevalent.

Despite the consistency and strength of their findings, these studies are open to a potentially telling criticism. They treat national economies either as closed systems or as equally open to and affected by the international economy. Thus they fail to pay sufficient attention to the possible importance of relative position in the international economy to national economic performance. Such a blind spot is all the more troubling in

[1] David R. Cameron, "Social Democracy, Corporatism, and Labor Quiescence: The Representation of Economic Interests in Advanced Capitalist Society," and Fritz Scharpf, "Economic and Institutional Constraints of Full-Employment Policies," both in John H. Goldthorpe, ed., *Order and Conflict in Contemporary Capitalism* (New York: Oxford University Press, 1984). See also Michael Bruno and Jeffrey Sachs, *Economics and Worldwide Stagflation* (Cambridge: Harvard University Press, 1985); Peter Lange and Geoffrey Garrett, "The Politics of Growth," *Journal of Politics* 47 (August 1985), 792-827; Manfred Schmidt, "The Role of Parties in Shaping Macro-Economic Policy," in Francis Castles, ed., *The Impact of Parties* (Beverly Hills, CA: Sage, 1982); Manfred Schmidt, "The Welfare State and the Economy in Periods of Crisis," *European Journal of Political Research* 11 (No. 1, 1983), 1-26; Paul Whiteley, "The Political Economy of Economic Growth," *European Journal of Political Research* 11 (No. 2, 1983), 197-213.

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light of the seemingly obvious importance of dependence on imported oil to the fate of the advanced industrial economies after 1974.[2]

Position in the international economy must be introduced into any systematic attempt to delimit the role of domestic factors in explaining economic performance across countries. As Robert Keohane has pointed out,

> any comparative analysis of ... [national] economic policies must begin by locating the countries within the international division of labor. Otherwise, different policies, or different degrees of "success" or "failure," may misleadingly be accounted for by internal factors even when a better explanation for some of them could be found in the different pressures for adjustment forced onto those economies by changes in the international political economy.[3]

It is nonetheless possible that, even when international differences have been taken into account, the role of domestic political and organizational characteristics will remain strong. There are reasons to believe that domestic structures can equip some countries better than others to contend with the problems that international economic change presents for domestic economic performance. In that case, we would expect that, *even when the location of countries in the international division of labor has been controlled for*, their economic performance will be significantly affected by their domestic political-economic arrangements.

In this paper, we investigate this hypothesis by delineating the impact of international economic position and domestic political structures on the economic performance of the advanced industrial democracies between 1974 and 1982. We will explore:

(a) the impact of position in the international economy on economic performance;
(b) whether the oft-reported relationship between domestic political structures and performance is in fact spurious once the impact of position in the international economy is controlled for; and
(c) the nature of the interrelationship between domestic political-economic arrangements and position in the international economy.

We examine these issues statistically, using a variety of techniques that incorporate indicators for position in the international economy and domestic political arrangements. Our analysis is divided into four sec-

[2] Andrea Boltho, *The European Economy* (New York: Oxford University Press, 1982), chap. 3; Bruno and Sachs (fn. 1), chap. 8; Paul McCracken and others, *Towards Full Employment and Price Stability* (Paris: OECD, 1977), chap. 1.

[3] Keohane, "The World Political Economy and the Crisis of Embedded Liberalism," paper presented at the Conference on Order and Conflict in Western Capitalism (Freiburg, West Germany, May 1983), 2.

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tions. The first outlines the nature of the changes in the international economy to which the advanced industrial democracies had to respond in the 1970s. In Section II, we propose hypotheses regarding the potential effects of position in the international economy on the performance of the national political economies, and operationalize the relevant variables. In Section III, we present some hypotheses regarding relationships between domestic political arrangements and the capacity to adapt to changes in the international economy. In Section IV, we examine the results of the tests of the hypotheses individually and in combination.

In this study, as in the recent work of Olson, Bruno and Sachs, and Whiteley, economic growth rates are used as the best single indicator of economic performance.[4] The measure used here is the proportionate change in growth achieved under stagflation between 1974 and 1982, compared with that in the preceding period of relatively stable prosperity (average growth 1974-1982 divided by average growth 1960-1973). (Table 1.) This method controls for what Manfred Schmidt calls the "constant structure hypothesis": that the structure, dynamics, and outcomes of an economy at time t are largely dependent upon these same factors at $t-1$.[5] Furthermore, the use of proportionate change ($t/t-1$) rather than absolute change ($t-|t-1|$) takes into account relative changes in economic growth during the recession. Thus, the indicator is not biased against countries with very high levels of growth in the preceding period, such as Japan, which were more likely to suffer greater absolute decreases in economic growth under stagflation; it is also not biased in favor of countries with historically low levels of economic growth, where the absolute decrease was likely to be much smaller, such as the United Kingdom (see Table 1).

Finally, we draw some conclusions about the relative importance of, and interrelationships between, international and domestic variables in an integrated world economy.

I. Stagflation, 1974-1982

The international economic downturn between 1974 and 1982 was bounded by the first OPEC oil shock in October 1973 and the onset of the U.S. recovery in late 1982. This period was fundamentally different from other relatively short-lived "cyclical" recessions of the earlier postwar years from which the advanced industrial democracies rebounded

[4] Mancur Olson, *The Rise and Decline of Nations* (New Haven: Yale University Press, 1982); Bruno and Sachs (fn. 1); Whiteley (fn. 1).

[5] Schmidt (fn. 1), 131.

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TABLE 1
ECONOMIC GROWTH IN 15 COUNTRIES
1974-1982

	Av. % Change in GDP 1960-1973 (I)	*Av. % Change in GDP 1974-1982 (II)*	*Change in Economic Growth (II/I)*
Australia	5.1	2.4	.47
Austria	5.0	2.6	.52
Belgium	5.0	1.7	.34
Canada	5.6	2.2	.39
Denmark	4.7	1.6	.34
Finland	5.0	2.6	.52
France	5.6	2.7	.48
W. Germany	4.5	1.7	.38
Italy	5.3	2.3	.43
Japan	9.9	3.8	.38
Netherlands	5.0	1.4	.28
Norway	4.4	3.5	.80
Sweden	4.1	1.4	.34
U.K.	3.1	.7	.23
U.S.	4.1	1.7	.41

Source: OECD, *National Account Statistics*, various years.

fairly quickly. After 1974, the Western economies had slower economic growth rates and dramatically higher inflation and unemployment rates than at any other time since the Great Depression.[6] Despite distinct variations across countries, both in the degree and pattern of downturn, stagflation characterized all of them.[7]

A number of significant changes in the international economic position of the advanced industrial democracies contributed to stagflation. The quadrupling of oil prices in October 1973 and their subsequent doubling in 1979-1980 had severe effects on the supply side of the advanced industrial economies. Costs of production in the traditionally predominant energy-intensive industrial sectors rose sharply, generating strong cost-push inflationary pressures and intensifying competition in world markets.

The OPEC oil shock also contributed to the longer-term decline of the traditional bases of the advanced industrial economies by depressing aggregate world demand. Large quantities of money were rapidly diverted from Western markets to Arab coffers, with significant lags

[6] Boltho (fn. 2), 20-28.
[7] See Bruno and Sachs (fn. 1), and Scharpf (fn. 1).

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between the accumulation of petrodollars by oil producers and their reinvestment in the world economy. The result was an effective short-term shortage of capital and weakness of international demand, which increased competition in shrinking Western markets. Susan Strange has described the resultant plight of "trade-impacted" manufacturing sectors among the advanced industrial democracies as one of "surplus capacity"—"a situation in which demand is insufficient to absorb production at prices high enough both to maintain employment and to maintain profitability for all the enterprises engaged."[8]

The longer-term consequences of the oil shock and the shortfall in aggregate demand may have been even more deleterious, for they altered the cycle of virtuous expectations which had characterized the postwar boom.[9] Higher production costs and reduced profitability increased the perceived risk of investment in future production for many entrepreneurs. With little confidence in the prospect of cheap sources of energy or buoyant demand, capitalists were less likely to invest in new plant and equipment for fear that it would lie idle. Investment, however, was essential to reviving economic productivity, competitiveness, and hence growth. Without renewed economic growth, unemployment could not be substantially reduced, and aggregate national prosperity was unlikely to return to the levels of the preceding decade.

The changes in the nature of the international economy created a set of structural problems and opportunities for individual advanced industrial democracies. The problems are evident: declines in growth and increases in unemployment and inflation due to the rise in the costs of factors of production; lower effective aggregate demand, and hence tighter international markets; and new competitors in major industries. Yet opportunities also existed (at least relative to some other advanced industrial democracies) for those countries best able to respond to the new context and the incentives inherent in it. Countries that could lower their costs of production by reducing the cost of labor or increasing its productivity through technological innovation would do better in a more competitive international marketplace.[10] Countries that could concentrate production in those sectors in which they had a comparative ad-

[8] Susan Strange, "The Management of Surplus Capacity: Or, How Does Theory Stand Up to Protectionism 1970s Style," *International Organization* 33 (No. 2, 1979), 304.

[9] Boltho (fn. 2), 27.

[10] OECD, *Industry in Transition* (Paris: OECD, 1983); OECD, *International Investment and the Multi-National Enterprise* (Paris: OECD, 1983); OECD, *Positive Adjustment Policies* (Paris: OECD, 1983); Bruno and Sachs (fn. 1).

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vantage and in which international demand was greatest—even at the expense of declining sectors and domestic pressures to protect them—were more likely to sustain recovery.[11]

Not all actors can, however, adapt to structures of opportunity; nor are they equally well situated to exploit the incentives inherent in them. Kenneth Waltz argues that

> Actors may perceive the structure that constrains them and understand how it serves to reward some kinds of behavior and to penalize others. But then again they may either not see it or, seeing it, may for a variety of reasons fail to conform their actions to the actions that are most often rewarded and least often punished. To say that "the structure selects" means simply that those who conform to accepted and successful practices more often rise to the top and are likelier to stay there. The game one has to win is defined by the structure that determines the kind of player who is likely to prosper. [12]

Waltz's observation suggests that two sets of factors affect the extent to which countries adjust to, and exploit, shifting structural opportunities in the international economy. First, countries are unlikely to be equally affected by international changes, or able to attain equally successful results even from well-conceived strategies. The position of any national economy in the international economy will influence how severely an international shock affects its immediate performance. The impact of a change in oil prices, for instance, will not be equal across countries. It will also constrain their ability to adjust over time. (For example, countries will not be equally able to shift to cheaper sources of energy.)

Second, the strategies pursued—whatever the countries' position in the international economy and domestic factor endowments—may also affect economic performance. Countries cannot be expected to pursue strategies of adjustment with equal success. They may differ significantly, for instance, in their ability to control the demands for protection by capital and labor in less competitive sectors.[13] Similarly, as the literature on corporatism suggests, the extent to which increases in wage costs are restrained may vary greatly from country to country. Thus, if we look at economic outcomes after some period of time as a measure of successful adaptation, countries that performed better may have done so because they were less severely affected in the short term and/or less constrained

[11] See John Zysman and Laura Tyson, *American Industry in International Competition* (Ithaca, NY: Cornell University Press, 1983), 42-44.

[12] Waltz, *Theory of International Politics* (Reading, MA: Addison-Wesley, 1979), 92.

[13] John Gerard Ruggie, ed., *The Antinomies of Interdependence* (New York: Columbia University Press, 1983); Stephen Krasner, "U.S. Commercial and Monetary Policy: Unravelling the Paradox of External Strength and Internal Weakness," in Peter J. Katzenstein, ed., *Between Power and Plenty* (Madison: University of Wisconsin Press, 1978).

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over time; but they may also have done better because they were able to implement better adjustment strategies.

This suggests that any systematic examination of the economic performance of the advanced industrial democracies must take into account the comparative original positions of the countries in question—measuring the extent to which they were constrained by their respective positions in the international economy—and their ability to pursue strategies furthering their economic interests in the changed international environment, whatever their international position.

From this perspective, we can hypothesize that three factors determined which countries became relative "winners" in the changed international economy of the mid- and later 1970s. The first two reflect the structural position of the national economies in the international economy. To different degrees, they measure a country's vulnerability, both to ongoing structural international constraints and to specific changes in the international economy. The third reflects characteristics of the domestic political economy that may determine the capacity of national economies to adjust effectively over time.

First, those national economies that were less dependent on the international economy, and hence less vulnerable to the deleterious changes, could be expected to suffer less than more integrated economies, both at the outset of the crisis and over time. Countries that have large national markets and derive only a small percentage of national income from trade should be less sensitive to the reduced world demand for goods and services and the heightened competition for international markets. The policy options of these economies should also be less constrained over time, for a resort to protectionism would be less costly, and stimulation of domestic demand more efficacious.

Second, the specific international position of the advanced industrial democracies with respect to the most important economic disturbance of the stagflation period is monitored by dependence on oil. Economies less dependent upon imported sources of oil for industrial production would suffer less from the oil shocks than those heavily reliant on OPEC. While the costs of production in energy-dependent industries increased relatively uniformly (as all oil producers reacted to the OPEC price hikes), those economies with larger net oil import bills were subject to greater balance-of-payments constraints, and likely to be less competitive in international markets than the countries with rich oil endowments—at least until adjustments to changed energy prices, and their supply-and-demand implications, had taken place.

The third factor measures the ability of national political economies

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to devise and implement successful adjustment strategies in response to changes in the international economy. Several studies have suggested that the pattern of trade union structure, partisan control of government, and extent of union-government concertation[14] particular to any country have distinct effects on economic performance (growth, inflation, and unemployment rates)[15] and the effectiveness of adjustments to international economic change.[16]

The first two factors, pertaining to a country's structural position in the international economy, determine both its vulnerability to the recession and the international constraints on the ability of the state and other national actors to devise and implement a successful strategy of adjustment. The third factor is composed of a set of measures of adaptive capacity as embodied in domestic political structures and processes that affect policy outcomes. In the next two sections, we shall examine these factors and their hypothetical relationship to economic performance.

II. Position in the International Economy and National Economic Performance: Hypotheses

What specific relationships can be proposed between a country's position in the international economy and its national economic performance? How can these relationships be put in terms that allow their inclusion in a set of linked and testable hypotheses for the 1974-1982 period? In this section, we look first at some general indicators of international position, and then more closely at specific problems related to stagflation.

A. Liberal international economics and realist international politics present two different arguments about how integration into the world economy affects the performance of national economies. Following Ricardo as well as more recent expositions of free trade theory,[17] the

[14] Phillipe Schmitter, in "Reflections on Where the Theory of Neo-Corporatism Has Gone and Where the Praxis of Neo-Corporatism May Be Going," argues that the label "corporatism" should only be applied to the mode of organizing conflict between labor, capital, and the state; and the term "concertation" should be used to describe institutionalized tripartite modes of public policy making. Gerhard Lehmbruch and Phillipe Schmitter, eds., *Patterns of Corporatist Policy-Making* (London: Sage, 1982), 262-63.

[15] See Lange and Garrett (fn. 1), and Cameron (fn. 1).

[16] Peter J. Katzenstein, "The Small European States in the International Economy: Economic Dependence and Corporatist Politics," in Ruggie (fn. 13); Peter J. Katzenstein, *Small States in World Markets*, (Ithaca, NY: Cornell University Press, 1985).

[17] Jagdish Bhagwati, "The Pure Theory of International Trade: A Survey," and other essays in Robert C. Feenstra, ed., *Essays In International Economic Theory* (Cambridge: MIT

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international economists assert that the logics of comparative advantage and economies of scale dictate that national economic welfare is improved with increased integration into the world economy, regardless of a state's position in the international division of labor. Realists, on the other hand, contend that, as a result of its insulation from the vagaries of the international economy, the more independent a national economy, the better its performance over time.[18] In periods of vitality in the international economy, more independent states can reap the benefits of "openness"; but in times of international recession, they can withdraw from external transactions at low cost and still retain high levels of performance by relying on relatively autonomous national endowments.[19]

The logic of the Ricardian argument cannot be faulted so long as it is reasonable to assume that national economies are able to adapt freely and rapidly to the changing international environment. The international economy, however, almost inevitably adjusts imperfectly due to the imposition of tariffs, subsidies, quotas, and other protectionist measures.[20] Although market-determined adjustment to changes in the international economy may be best for the national economy as a whole in the medium term, market mechanisms necessarily impose hardships on less competitive economic actors in the short term. Many unions, firms, and business associations may strongly resist "rational" adjustment policies (in Ricardian terms) that might be expected to operate at their expense, even when such policies would improve overall economic performance.[21]

Through organization into "distributional coalitions" and the exercise of multiple forms of political influence, these interests have considerable power with which to slow or prevent the implementation of policies costly to them, whatever the "national interest" in such policies.[22] The Ricardian logic, despite its economic merits, is unlikely to be politically

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Press, 1983), Vol. II, Part V; Richard N. Cooper, *The Economics of Interdependence* (New York: McGraw-Hill, 1968); Melvyn B. Krauss, *The New Protectionism* (New York: New York University Press, 1978).

[18] Realists also tend to view independence as desirable because of the anarchic nature of the international system and the self-help path to national security that it necessitates. They argue that, regardless of economic considerations, reliance on other countries for resources is dangerous for the national security; even allies are always free to cut off supplies if they so desire. Cf. Waltz (fn. 12).

[19] Stephen Krasner, "State Power and the Structure of International Trade," *World Politics* 28 (April 1976), 317-47; Waltz (fn. 12), 143-46.

[20] See Krauss (fn. 17).

[21] Timothy McKeown, "Firms and Tariff Regime Change: Explaining the Demand for Protection," *World Politics* 36 (January 1984), 215-33.

[22] See Olson (fn. 4).

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acceptable. If it works its way at all, it is likely to do so only slowly and against considerable political resistance.

This holds true even more in the case of extensive disruption in the international economy like the stagflation of 1974-1982. In such a period, domestic pressures for protection from increased competition in stagnant international markets are likely to be extreme[23] because expectations are low that sacrifices of short-term self-interest will be easily recouped and rapidly repaid. Thus, there will be calls for protection and subsidies, and for government intervention to stimulate domestic demand in order to compensate for losses in international demand.

The extent to which a sharp downturn in the international economy will damage a national economy is in part a function of the size of its domestic market and the extent to which it relies on international trade. Large domestic markets reduce the reliance of national economies on international demand; *such economies will therefore be less adversely affected by international recessions than economies with smaller domestic markets and higher levels of international trade.*

The size of the domestic market and the extent of international trade will also constrain how effectively a country can use protection, subsidies, and demand stimulation as adjustment strategies. Where national markets are small and integration into the international economy is extensive, movement toward economic autarky is likely to have severe consequences, according to the logics of economy of scale and comparative advantage. Furthermore, the smaller and the more integrated the national economy, the more the use of domestic demand stimulation as a compensatory measure is likely to lead to a flood of imports—thus aggravating problems of the balance of trade and weakening the currency. Finally, countries less reliant on the international economy will be less concerned by (and less affected by) the prospect of retaliation against any protectionist policies they impose. Thus, *economies with smaller domestic markets and higher levels of international trade will be more constrained in terms of the adjustment policies they can employ.*

The two preceding hypotheses can be drawn together by using the concept of "vulnerability" to represent the combined effects of size of domestic market and extent of dependence on international trade.[24] *Focusing solely on international economic position, we would expect national economies that were more vulnerable—as indicated by their smaller domestic markets and higher levels of international trade—to have suffered larger*

[23] See Krauss (fn. 17).

[24] Robert O. Keohane and Joseph Nye, *Power and Interdependence* (Boston: Little, Brown, 1977), 12-16; Waltz (fn. 12), 144.

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declines in performance during the post-1974 stagflation than those with larger domestic markets and lower levels of international trade.

In this paper, Gross Domestic Product (GDP) is used as the indicator of the size of national markets, and the ratio of earnings from exports to GDP is used as the indicator of the openness of the economies (Table 2). The variables are operationalized at the outset of the recession to isolate structural position in the international economy from domestic strategies of adjustment that may have affected the vulnerability measures during the recession.

Arguments concerning the relationship between domestic market size, openness and vulnerability of the advanced industrial democracies, and national economic performance are very general. Since they do not focus on the specific changes that precipitated the stagflation of 1974-1982, they may inaccurately indicate the extent to which national economic performance was harmed by the changes in the international economy.

In Section I, we argued that the national recessions were most directly caused by supply "shocks" (especially the sudden oil price increases) and by the attendant reduction in worldwide aggregate demand. It is appropriate, therefore, to include specific indicators of these changes in our assessment of the effect of international economic position on national economic performance.

Dependence on oil was undoubtedly of greater importance than changes in the structure and composition of world trade. Studies have shown that the absolute portion of world economic output produced by the newly industrialized countries, and the extent of their intrusion into world markets, is still very small.[25] The impact of the fourfold increase in oil prices between October 1973 and January 1974 on the advanced industrial economies, and the subsequent doubling of prices in 1979-1980, seems to have been far more significant.[26]

The extent of reliance on imported oil (imported oil as a percentage of total energy used) affected the profitability of energy-intensive industries in the developed countries immediately after the first oil shock in October 1973. Production costs were "taxed" according to the amount of production generated through net imported oil consumption. Import bills rose dramatically in countries heavily dependent on foreign sources of oil, but, due to reduced aggregate world demand and the reduced

[25] Christopher Saunders, "Changes in the Distribution of World Production and Trade," in John Pinder, ed., *National Industrial Strategies and the World Economy* (London: Croom Helm, 1982).

[26] Robert O. Keohane, "The International Politics of Inflation," in Charles S. Maier and Leon N. Lindberg, eds., *The Politics of Inflation and Economic Stagnation* (Washington, DC: The Brookings Institution, 1985), 89-91.

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TABLE 2

POSITION IN THE INTERNATIONAL ECONOMY AND DOMESTIC POLITICAL STRUCTURES

	Size of National Markets[a] *(log)*	*Openness in the International Economy*[b]	*Dependence on Imported Oil*[c]	*Mean % of Cabinet Portfolios Held by Leftist Parties*[d]	*Labor Organization Index*[e]	*Domestic Political Structures Index*[f]
Australia	4.55	15.1	14.3	30.5 (9)*	1.87 (8)*	Incoherent
Austria	3.64	30.5	38.6	100.0 (1.5)	3.06 (3)	Coherent (Corp.)
Belgium	4.14	42.3	57.4	21.0 (10)	2.80 (4)	Incoherent
Canada	5.09	22.3	3.1	0.0 (13.5)	0.98 (12)	Coherent (Market)
Denmark	3.64	27.8	77.7	75.5 (4)	2.77 (5)	Coherent (Corp.)
Finland	3.33	24.9	53.3	40.2 (8)	2.76 (6)	Incoherent
France	5.83	15.8	59.8	0.0 (13.5)	0.68 (14)	Coherent (Market)
W. Germany	6.03	21.1	49.0	74.8 (5)	1.80 (10)	Incoherent
Italy	5.26	18.0	61.7	6.5 (11)	1.47 (11)	Coherent (Market)
Japan	6.21	10.8	72.3	0.0 (13.5)	0.43 (15)	Coherent (Market)
Netherlands	4.42	46.1	55.9	41.2 (7)	1.90 (7)	Incoherent
Norway	3.33	41.7	−30.6	100.0 (1.5)	3.33 (2)	Coherent (Corp.)
Sweden	4.28	23.5	56.7	45.9 (6)	3.52 (1)	Incoherent
U.K.	5.46	22.7	19.9	86.0 (3)	1.81 (9)	Incoherent
U.S.	7.34	5.5	19.3	0.0 (13.5)	0.82 (13)	Coherent (Market)

[a] Gross Domestic Product in 1975, expressed in billions of dollars. *Yearbook of National Account Satistics 1982* (U.N., New York, 1985).

[b] Value of exports/GDP (1968-1972), *National Account Statistics, 1960-1980* (OECD, Paris, 1982).

[c] Net oil imports/total energy requirements (1974-1982) in international energy units, *Energy Balances of the OECD Countries 1971-1982* (OECD, Paris, 1984).

[d] (1974-1980); Cameron (fn. 1) and *Keesing's Contemporary Archives.*

[e] An additive index of the standardized scores for percent of total workforce unionized and the centralization of labor unions. Cameron (fn. 1), Table 6; Lange and Garrett (fn. 1).

[f] A dichotomous division of political economies. Corporatist and market systems are scored 1; incoherent cases are scored 0. The typology is explained in Section III.

* Rank order in parentheses.

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competitiveness of oil-dependent industries in international markets, these countries were not able to expand their exports. The average rate of economic growth among all OECD countries fell dramatically, from 4.8 percent (1968-1973) to 0.9 percent (1979-1982). Over the same period, their average rate of unemployment increased from 3.4 percent to 7.2 percent, and inflation rates rose from 5.6 percent to 10.4 percent.[27]

Thus, *greater dependence on imported sources of oil for energy could be expected to lead to more severe declines in economic performance.*

In contrast to the size and openness variables, dependence on imported oil was measured over the whole 1974-1982 period rather than only at the outset of the recession. This procedure takes into account the changes in oil dependence among the advanced industrial democracies after 1973. In the late 1970s, for instance, both Norway and the U.K. benefited from oil deposits in the North Sea which only came into production after 1973. Although the governments of these two countries (and all others) attempted to minimize their dependence on oil, their natural endowments enabled Norway and the U.K. to reduce the OPEC burden sharply, and in the case of Norway, to become a net exporter of oil. Any indicator of the impact of the oil shocks on economic performance should take relative natural endowments into account, including those that materialized only after 1973. The data are reported in Table 2.

To summarize, the effect of a country's position in the international economy on domestic economic performance in the post-1974 period can be hypothesized to be a function of both general and specific measures of the character of interdependence between any national economy and the international economy. We would expect national economic performance to be adversely affected by:

(a) smaller national markets;
(b) greater reliance on international trade;
(c) more generally, greater vulnerability;
(d) greater reliance on imported oil for energy.

Of course, the above hypotheses focus solely on the international position of the national economy. They ignore the possibility that the impact of domestic political-economic structures on the potential effectiveness of strategies of adjustment might weaken or even negate their influence.

III. Domestic Political Structures and Economic Performance

In the early 1970s, changes in the international economic environment of the advanced industrial democracies altered the "structures of op-

[27] OECD, *Economic Outlook—Historical Statistics, 1960-1982* (Paris: OECD, 1984).

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portunity" for high levels of economic performance. If international position were all-determining, those countries less harshly affected by the changes outlined in Section II would have suffered lesser declines in economic performance. It is also possible, however, that the nature of domestic responses may have partially determined the extent to which national economic performance was affected by the international changes. Those countries that were able to respond effectively to the incentives inherent in the new international economic opportunity structure might have done better than their international position would lead us to expect.

It has frequently been argued that corporatism is associated with generally better national political and economic performance.[28] Detailed studies have shown that better economic performance is to be expected in countries in which the labor movement is both organizationally and politically strong.[29]

We have recently modified this argument to suggest that the relationship between the organizational and political power of labor and economic performance is not linear, as the earlier studies had implied.[30] Good economic performance can be expected not only in corporatist cases, but also in those countries where the political economy operates closer to market principles. Performance is likely to deteriorate as structural conditions move from the institutional symmetry of either corporatist or market archetypes to more mixed political economies.

In accordance with the general thrust of the corporatism literature, we argue that countries in which the labor movement is strong both in politics and the market can be expected to achieve high levels of economic performance. Highly organized labor movements may contribute to aggregate economic performance (by regulating their militancy) when they are confident that the government will translate such regulation into better medium-term outcomes for workers. In such circumstances, we may expect reduced demands for wage increases and fewer strikes, together with acquiescence in government- and firm-level policies of economic restructuring.

[28] See Phillipe Schmitter, "Interest Intermediation and Regime Governability in Contemporary Western Europe and North America," in Suzanne Berger, ed., *Organizing Interests in Western Europe* (New York: Cambridge University Press, 1981), 287-330; Katzenstein (fn. 16, 1985).

[29] See Cameron (fn. 1), and Schmidt (fn. 1, 1982 and 1983). The specific performance indicators vary across these and other studies.

[30] Lange and Garrett (fn. 1). See also Colin Crouch, "Conditions for Trade Union Wage Restraint," and Charles S. Maier and Leon N. Lindberg, "Alternatives for Future Crises," both in Maier and Lindberg (fn. 26).

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Similar levels of economic performance, however, may be achieved by countries in which labor is weak both in politics and the market, and where the disciplining effects of the market therefore play a predominant role in the operation of the economy. Weak labor movements do not possess the organizational cohesion to make wage and strike militancy effective, and conservative governments are unlikely to help them overcome this weakness through economic policies designed to benefit them. Furthermore, weak labor movements may not have sufficient power in the market to fight the government's and the employers' attempts to impose austerity on workers.

Where labor is strong either politically or organizationally, but weak on the other dimension, economic performance is predicted to be worse than in cases of symmetrical power. Strong labor unions are likely to be militant in the market if the Left is politically weak; they will pursue immediate gains (through wage demands and protection) regardless of the deleterious consequences for economic growth in the medium term. Similarly, if central labor associations are unable to control their constituents and the Left is politically strong, the "free rider" problem will be manifest, and individual unions are likely to seek immediate interest satisfaction, expecting that the government will address their needs through various welfare and full-employment policies.[31] Thus, in both cases, high levels of labor militancy will have deleterious consequences for economic performance.

The impact of domestic political structures on the adaptive capacities of the advanced industrial democracies is summarized by the following hypothesis: *Countries with symmetrical or coherent political structures—in which labor was strong both organizationally and politically (corporatist cases), or in which labor was very weak on both dimensions (approximating market economies)—should have been able to adjust to the post-1974 international crisis better than the mixed cases in which the political economies were less coherent (politically strong and organizationally weak, or vice versa).*

Our recent study indicates that, under stagflation, the relationship between either organizational or political factors and economic growth was conditional on the relative status of the other.[32] Leftist governments

[31] Lange and Garrett (fn. 1), 794-801.

[32] For an analysis of a series of conditional regression models concerning the relationship between domestic political structures and economic growth, see Lange and Garrett (fn. 1), 811-20. After completion of the present manuscript, we received some thoughtful comments on these results by an anonymous reader. They suggest possible improvements in the statistical techniques employed by using ridge regression to reduce further the multicollinearity inherent in interaction models and develop a more extensive model of the political determinants of economic growth. They do not, however, affect the results with respect to the domestic political structures variable employed in the present analysis in ways that would

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had a positive impact on growth where labor unions were encompassing (densely and centrally organized), but negative effects where labor was much weaker. Similarly, encompassing labor movements were associated with better growth performance where leftist parties controlled the government, but they had deleterious consequences for growth in countries with rightist governments. These results were generated by analysis of a regression model containing a multiplicative interaction term:

$$G = LO + LC + LO \times LC$$

where G = change in economic growth rates, LO = Labor Organization Index, and LC = Left Cabinet. The Labor Organization Index delineates the extent to which the labor movement is encompassing. As in other studies,[33] the index combines standardized scores for the density of labor unions with their degrees of centralization into peak associations. The political power of labor, Left Cabinet, is operationalized as the percentage of cabinet portfolios held by parties of the Left (Table 2).

The results of this interaction are reported in model 1A of Table 4. While the conditional relationships internal to the model need not be discussed here, it is important to note that the interaction model of domestic political structures explains 42 percent of the variation in economic growth and is statistically significant at the .05 level.

In the present paper, we are primarily interested in comparing the aggregate impact of domestic structures on the growth performance of the advanced industrial democracies with the effects of position in the international economy, rather than in the details of the conditional relationships between the two dimensions of domestic structure. Given the limited number of cases in our analysis, it would be difficult to include the three constituent terms of the interaction model and a number of the international position variables in a single regression model.

Thus, we created a simpler (and hence less precise) typology of domestic political structures to supplement the interaction model. We divided the advanced industrial democracies into three categories. Those countries that ranked in the top third of our fifteen cases on both Left Cabinet and Labor Organization are labeled "corporatist." Those that fell in the bottom third on both dimensions of labor power are

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lead us to question the arguments we develop here regarding the relative explanatory importance of the domestic and international variables examined. For a critique of and response to the methodology and results of our original article, see Robert W. Jackman, "The Politics of Economic Growth in the Industrial Democracies: Leftist Strength or North Sea Oil?" and Peter Lange and Geoffrey Garrett, "The Politics of Growth Reconsidered," both in *Journal of Politics*, forthcoming.

[33] Cameron (fn. 1); Crouch (fn. 30).

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designated "market" cases. The remaining cases did not coalesce neatly into corporatist or market political economies; they are labeled "mixed." (The rank orders from which the typology was derived are reported in Table 2.)

Even with this less precise measure, the relationship between domestic political structures and economic growth observed in the more complex model was sustained. First, we compared the average change in growth rates for each group of countries (Table 3). The averages for the coherent domestic political structure types, .55 for the corporatist type and .43 for the market type, were considerably higher than that for the mixed

TABLE 3
ECONOMIC GROWTH IN CORPORATIST, MARKET, AND MIXED POLITICAL ECONOMIES

	Mean Change in Growth Rates 1974-1982[d]
CORPORATIST[a]	
Austria	
Denmark	
Norway	
Average	.55
MARKET[b]	
Canada	
France	
Italy	
Japan	
U.S.	
Average	.43
MIXED[c]	
Australia	
Belgium	
Finland	
W. Germany	
Netherlands	
Sweden	
U.K.	
Average	.37

[a] Countries ranking in top third on both Left Cabinet and Labor Organization.
[b] Countries ranking in bottom third on both Left Cabinet and Labor Organization.
[c] Remaining "mixed" cases.
[d] Averages of scores reported in Table 1.

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cases (.37). We then further collapsed these categories into a dichotomous division between "coherent" and "incoherent" domestic political structures. Both corporatist and market cases were scored 1 for coherent political economies; the remaining cases were labeled incoherent and scored 0 (Table 2). When regressed against changes in economic growth (model 1B of Table 4), even this dichotomous dummy variable (which cannot detect much of the variation in domestic structure conveyed by the interaction model) was associated with better performance, and explained some of the variance (.10).

Together, these three tests indicate a strong relationship between domestic political structures and economic growth. None of them, however, controls for the impact of international factors, which we hypothesize to have played a significant role in the adaptation of the advanced industrial democracies to stagflation. The remainder of our analysis will delineate the effects of international position and examine their impact on the stability of the indicators of domestic political structures (both the interaction model and the simpler dichotomous division) as determinants of growth performance.

IV. Results

In order to examine the relationships between domestic political structures and economic growth after international factors are controlled for, we undertook several tests combining the indicators already discussed. For domestic political structures, we used both the three-term interaction and the dichotomized typology of coherent and incoherent mixes of institutional and political conditions. The latter permits us to introduce more than one of our international position indicators simultaneously without encountering the insuperable problems of too many variables and too few cases (with resultant problems of degrees of freedom). It also facilitates identification of the comparative causal weights, which should be attributed to domestic and international factors. The use of the fully specified interaction model for domestic structures, derived from our earlier work, discourages the simultaneous inclusion of more than one international position indicator in the regression models. Nonetheless, it permits us to identify general effects of the addition of international factors to the explanation of growth, and to measure more accurately the overall explanatory power of models—including both domestic structures and international position. The results of the various tests are reported in models 2 and 3 of Table 4.

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A. DEPENDENCE ON IMPORTED OIL

We have argued that greater dependence on imported oil would be associated with poorer growth performance. This hypothesis is strongly and consistently confirmed by the findings reported in Table 4. Dependence on imported oil alone explained 23 percent of the variance in the decline of economic growth. In this model (2D), the correlation coefficient was negative and statistically significant at the .05 level. This relationship proved very robust over all the models examined, even when vulnerability to the international economy and/or domestic structures of adaptation were controlled for. Regardless of the other variables included, the parameter estimate for oil dependence was always −.002. In addition, these estimates were statistically significant at the .05 level in all models that excluded indicators of domestic political structure, and at the .1 level in models that contained them (2C,2E,2F).

These results are consistent with the popular view that oil dependence had a strong impact on the extent to which the international recession affected growth rates of the advanced industrial democracies. More generally, they lend empirical support to Keohane's assertion that any comparative analysis of economic performance should be predicated upon an accurate delineation of international effects.[34] That is not to say, however, that the domestic variables analyzed in the comparative political economic studies are unimportant, or even less important, than their international counterparts. Rather, it indicates that, in order to discern the impact of domestic factors on economic performance, the impact of position in the international economy must first be controlled for.

B. DOMESTIC POLITICAL STRUCTURES—A SECOND CUT

Domestic political structures remained a very powerful determinant of deterioration in rates of economic growth under stagflation, even when position in the international economy was controlled for. In fact, the regression models analyzed below suggest that these domestic structures had an impact on the decline in performance among the advanced industrial democracies that was at least as great as, if not greater than, dependence on imported oil.

In Table 4, comparison of the pure domestic political structures interaction (1A), oil dependence (2D), and their combination (3E) shows that the hypothesized relationship between domestic structures and eco-

[34] Keohane (fn. 3).

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TABLE 4
REGRESSION MODELS

Model	*Size of National Markets*	*Openness*	*Dependence on Imported Oil*	*Left Cabinet*[a]	*Labor Organ. Index*[b]	*Cabinet × Organ.*	*Domestic Political Structures Index*	*Adjusted R-Square*	*F-Test*
1.									
A				−.24[d]	−.16[d]	.12[e]		.42	.03
B							.11	.10	.13
2.									
A	−.04							.05	.20
B		.001						—	.68
C	−.06	−.003						.02	.35
D			−.002[d]					.23	.04
E	−.04		−.002[d]					.28	.05
F		.001	−.002[d]					.17	.13
G	−.06	.004	−.002[d]					.29	.08
3.									
A	−.03			−.23[d]	−.19[d]	.11[e]		.39	.06
B		.000		−.24[d]	−.16[d]	.12[e]		36	.07
C			−.002[c]	−.22[d]	−.13[c]	.10[e]		.52	.02
D	−.06	−.002					.09[c]	.23	.13
E			−.002[d]				.09[c]	.32	.04
F	−.06	−.002	−.002[d]				.10[c]	.43	.05

[a] Standardized scores for Left Cabinet, 1974-1980. Cameron (fn. 1); *Keesing's Contemporary Archives.*
[b] An additive index of standardized scores for percent of total workforce unionized and the centralization of labor unions. Cameron (fn.1); Lange and Garrett (fn.1).
[c] Statistically significant at the .1 level.
[d] Statistically significant at the .05 level.
[e] Statistically significant at the .01 level.

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nomic growth under stagflation holds up, even when the strong impact of dependence on imported sources of oil is taken into account. The interaction alone explains almost twice as much of the variance in growth performance as the oil dependence model (adjusted R-squares of .42 and .23, respectively). Furthermore, the addition of the oil dependence variable into a single model with domestic structures (2C) improves upon the explanatory power of the purely domestic model by only ten percentage points (.42 to .52). The coefficients for each term in the interaction are also very robust across the models, and they maintain their statistical significance. The Left Cabinet coefficient changes from −.24 in model 1A to −.22 in model 3C; Labor Organization from −.16 to −.13; and the multiplicative interaction term from .12 to .10.

Since the interaction model delineates domestic structures across three variables (including a multiplicative interaction term), analysis of model 3C cannot be used to attribute causal weights to each of these variable terms relative to oil dependence as determinants of economic performance under stagflation. Such a determination is important as an indication of the extent to which the depth of stagflation in individual Western countries was a function of international factors beyond their control, or of domestic political arrangements.

In order to investigate this question, we regressed the dummy variable based on the dichotomous Domestic Political Structures Index and Oil Dependence against changes in economic growth (model 3E). The adjusted R-square for the model is considerably higher (.32) than that of either the Index (.10) or Oil Dependence (.23) taken singly. The coefficients for each variable are virtually invariant across these models. It would thus seem that both variables were important independent determinants of the severity of stagflation among the advanced industrial democracies.

Examination of the beta weights for each variable in model 3E confirms this. The standardized regression coefficient for Oil Dependence was a little larger than that for the Domestic Political Structures Index, (.49 compared to .36), but the former did not dwarf the latter, as popular opinion might conjecture. Since the Index is only an imprecise specification of the coherence of domestic structure, these results can be considered supportive of our primary assertion about the centrality of political economic arrangements to economic adaptation and performance under stagflation.

One important task remains, however, before we can feel confident about the impact of domestic structures on economic growth. Perusal of the scores for the different countries on both the domestic structures

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variables and oil dependence may suggest that the results reported in the previous subsection are not representative of trends across the advanced industrial democracies, but rather an artifact of the impact of a single "outlier" case—Norway—on the regressions. It will readily be noted that Norway's growth performance under stagflation (.80) was far better than that of any other country. The next highest is .52, for both Austria and Finland (Table 1). Concurrently, however, Norway also had the most coherent domestic political structures of any country studied, and was far less dependent on imported oil than any other. It is thus plausible that the confluence of high growth rates, corporatist domestic structures, and low dependence on imported oil biased the results of the regression analyses, and may have generated statistical relationships across all cases where in fact none existed. Skeptics may be particularly concerned with the reliability of the domestic political structures results because of the common-sense intuitive appeal of the oil dependence hypothesis.

When one is confronted with outliers like Norway, two courses of action are available. The first, which is justifiable where, as in the present case, the analysis is based on something closer to a "population" of cases rather than a "sample," is to keep outliers in the analysis; they are "genuine observations" that are "highly significant and suggestive, to which we should pay considerable attention."[35] Although Norway is certainly an extreme outlier on the oil dimension because of the abundant North Sea deposits which came into production in the late 1970s, it also represents an archetypal example of a corporatist political economy. It has—along with Austria—the type of system in which we would expect uniformly powerful and coherent labor movements to boost rather than to depress economic performance. Its exclusion from the study would deprive our central argument of a key piece of evidence upon which to assess the merits of our hypotheses.

Despite our commitment to the inclusion of the Norwegian case, we also pursued the second option: to run the regression models on a sample that excludes Norway. In so doing, we wanted to ascertain whether the relationships we discerned across the whole sample—with respect to both domestic political structures and oil dependence—still apply when the outlying case is removed. Anscombe's observation is prudent: "we are happier if the regression relation seems to permeate all the observations and does not derive largely from one or two."[36]

[35] Samprit Chatterjee and Bertram Price, *Regression Analysis by Example* (New York: John Wiley & Sons, 1977), 19.

[36] F. J. Anscombe, "Graphs in Statistical Analysis," *American Statistician* 27 (February 1973), 18.

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The results of the comparison of means and the regression models on the sample from which Norway was excluded are, although considerably weaker, generally supportive of our theoretical arguments about the adaptive capacities of different political economic arrangements. The average growth score for the "coherent" political economies was .43 even when Norway's exceptional performance (.80) was omitted. Thus, there was still a substantial gap between the growth performance of these countries and that of the "incoherent" cases, which had an average proportionate growth score of .37. This gap is reflected in the regression models of the domestic political structures. The adjusted R-square of the interaction model dropped from .42 to .07 when Norway was excluded from the analysis. Although this model was not statistically significant, the direction and size of the coefficients for the discrete domestic structure variables (Left Cabinet and Labor Organization) remained similar to those in the same model regressed against the whole sample. The percentage of the variance explained by the dichotomous Domestic Political Structures Index also decreased, but not nearly as dramatically—from 10 percent to 6 percent. In addition, the parameter estimate for the index was .07, compared with the .11 for the same model in the full sample.

Norway's exclusion could be expected to have an even greater impact on the explanatory power of oil dependence because the distance between it and the other countries was far greater on this dimension than with respect to domestic political structures. Between 1974 and 1982, Norway was the only net exporter of oil among the advanced industrial democracies, with its net exports representing 30.6 percent of its total energy requirements. The country with the second-lowest dependence on oil, Canada, was a net importer of 3.1 percent of its total energy requirements (Table 2).

Analysis of the oil dependence regression model with Norway excluded from the sample bears out our expectation. The explanatory power of the model evaporated from 23% to nothing. In addition, the oil dependence parameter estimate diminished tenfold, from $-.002$ to $-.0002$, a much greater decrease than that observed with respect to domestic political structures. This suggests that the relationships reported in Subsection A, pertaining to the impact of dependence on imported oil rather than those pertaining to the impact of different domestic structures, may be misleading and may largely be generated by the statistical impact of an extreme outlier—Norway. Thus, the commonsense assertion that countries which depended less on imported sources of oil should have performed better under stagflation is not supported by the crossnational data. The U.K., for instance, was able to reduce its

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dependence on imported oil to 19.9 percent as its North Sea deposits came on line in the late 1970s (Table 2), but its growth performance, at .23, was the poorest of all the countries studied (Table 1). Contrary to popular wisdom, there seems to have been no stable relationship between dependence on imported oil and economic performance after 1973.

C. OPENNESS, THE SIZE OF NATIONAL MARKETS, AND VULNERABILITY TO THE INTERNATIONAL ECONOMY

The impact of vulnerability on changes in economic growth was small during the international recession. The size of national markets and the extent of their integration into the international economy explain only a small percentage of the variance in economic growth: the Size model, 2A, generated an adjusted R-square of .05; the Size-Openness model, 2C, .02; while the Openness model, 2B, produced a trivial adjusted R-square (Table 4). Furthermore, when combined with oil dependence, these vulnerability measures added only slightly to the explanatory power of the model with oil dependence alone. The model that combines oil dependence, size, and openness added most to the simpler model, but even it increased the adjusted R-square only from .23 (model 2D) to .29 (model 2G). The addition of the vulnerability measures to the domestic political structures interaction model, on the other hand, detracted from the explanatory power of the pure interaction model; compare R-squares of .42 for the pure interaction (model 1A) with .39 (3A) and .36 (3B). The combination of the "coherence" index and size and openness explained 23 percent of the variance in growth rates (model 3D), compared with .10 for the Domestic Political Structures Index alone (1B).

Of more interest than the weak explanatory power of the vulnerability measures was the direction of the associations between these measures and changes in economic growth. They were frequently in the opposite direction to those hypothesized. We expected that the deleterious consequences of world stagflation and reduced trade would be greater in small, open economies than in those with easier recourse to autarky. In fact, the correlation between increased vulnerability and growth was often positive, even though none of the associations were statistically significant.

The key to explaining these curious findings may lie in the high degree of collinearity between vulnerability and the two variables—Labor Organization Index and Left Cabinet—that are combined in the interaction model and the Domestic Political Structures Index. As reported in Table 5, the covariations between Labor Organization, Left

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Cabinet, Openness, and Size of National Markets are all above .5, the highest being Size-Organization, at −.84. Thus, the vulnerability measures stand as approximate indicators of domestic structure, although they are less than perfect in this role. Hence, the addition of the vulnerability measures to the domestic structures interaction model may not add significant new "independent" variables to the explanation of changes in growth; it primarily serves only to decrease the degrees of freedom in the models, tending to reduce the adjusted R-square. On the other hand, the vulnerability variables add to the explanatory power of the oil dependence model because they serve statistically as approximate indicators of domestic structure.

The covariation between vulnerability to changes in the international economy and domestic political structures of adaptation may have substantive as well as statistical implications. Evidence suggests that the historical evolution of corporatist structures is strongly conditioned by position in the international economy, although no similar argument exists with respect to market political economies. Katzenstein argues that, historically, countries with small open economies have developed corporatist politics to maximize the potential benefits and to minimize the detrimental consequences of integration into the international economy.[37] He holds that this explains the high levels of economic performance achieved by the small European states. In an argument he calls "both functional and historical," Katzenstein analyzes this development in the following terms:

> Economic openness and dependence established a compelling need for consensus which, through complex and delicate political arrangements, have transformed the conflict among the main social forces in the small European states. ... In the small European states, political metaphors often recall and reinforce the historical memories of the 1930s and 1940s (when the corporatist compromise was forged) in emphasizing that all members of society sit in the same small boat, that the waves are high, and that all must pull on the same oar. Domestic quarrels are a luxury not tolerated in such adverse circumstances.[38]

This functional argument may merely be shorthand for a more complex structural process outlined by Cameron, who asserts that high levels of openness lead to industrial concentration in a few sectors and a few large plants.[39] If national markets are too small to justify the domestic production of all goods needed by the society, production tends to grav-

[37] See Katzenstein in Ruggie (fn. 16).
[38] *Ibid.*, 118.
[39] David R. Cameron, "The Expansion of the Public Economy: A Comparative Analysis," *American Political Science Review* 72 (December 1978), 1243-61.

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Table 5
Covariations Between Position in the International Economy and Domestic Political Structures

	Openness in the International Economy	*Dependence on Imported Oil*	*Mean % Cabinet Portfolios Held by Leftist Parties*	*Labor Organization Index*	*Domestic Structures Index*
Size of National Markets	−.72	.07	−.55	−.84	.19
Openness		−.10	.50	.65	−.28
Dependence on Imported Oil			−.26	−.09	−.11
Left Cabinet Portfolios				.71	−.18
Labor Organization Index					−.34

Statistics are Pearson's *R*s.

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itate toward sectors with comparative advantage.[40] Industrial concentration in turn provides an environment in which high levels of unionization are probable, and in which the unions are likely to be organized into fairly tight peak associations. "The existence of a relatively high level of unionization is, in turn, an important prerequisite for enduring leftist government, since unionized workers provide the core of the electoral base of most Social Democratic and Labour Parties."[41]

Cameron's argument provides a plausible explanation for the historical evolution of domestic political structures conducive to high rates of economic growth. It also explains the curious fluctuation in the observed (and static) relationship between vulnerability and economic growth in the regression models analyzed here.

D. DOMESTIC AND INTERNATIONAL DETERMINANTS OF ECONOMIC GROWTH

The preceding discussion strongly suggests that, even in a period of dramatic change in the nature of the international economy, domestic political structures of adaptation were critically important to the economic growth rates achieved by the advanced industrial democracies. They therefore lend support to the recent arguments of Ruggie and of Katzenstein regarding the importance of domestic political factors to national welfare in an integrated world economy.[42] Moreover, they partially alleviate concerns about the work of comparative political economists, like Cameron, Schmidt, and Bruno and Sachs, as well as Lange and Garrett, who implicitly or explicitly discount differential international effects in analyses of the determinants of economic performance in the late 1970s.[43] Economic performance is determined not only by gross factor endowments (or position in the international economy), but also by how effectively they are adapted to, and manipulated by, social actors and the state. Zysman and Tyson somewhat overstate the case, but are essentially on target, when they argue that

> ... a nation creates its own comparative advantage by the efforts of industries and government to establish competitive advantage in the market. ... In advanced industrial economies, comparative advantage—a concept much in vogue and often loosely used—is to be understood as the cumulative effect of both company capacities and government policy choices, not simply as the effect of given endowments in capital, labor and resources.[44]

[40] *Ibid.*, 1256.
[41] *Ibid.*, 1257.
[42] Ruggie (fn. 13); Katzenstein (fn. 16).
[43] Cameron (fn. 1); Schmidt (fn. 1); Bruno and Sachs (fn. 1); Lange and Garrett (fn. 1).
[44] Zysman and Tyson (fn. 11), 27.

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In more specific terms, the results suggest that politically rooted adjustment can significantly affect economic performance, even in the face of sharp changes in aggregate world demand and certain supply costs (such as increases in prices for imported raw materials) that are beyond the reach of domestic politics. We would argue that this is so because the interaction between the political and organizational power of labor movements greatly affects the prospects for good macroeconomic performance in an integrated world economy. If labor regulates its militancy in the market, reduces political pressure for protection in the face of international competition, and acquiesces in state policies designed to promote investment, economic growth can be significantly stimulated. This is only likely, however, where labor is both organizationally encompassing and represented by a powerful Left party in government. If labor is very weak organizationally and politically, similar outcomes may ensue through the operation of the market rather than the conscious decisions of labor leaders. Where labor is asymmetrically strong on either dimension, economic growth will be constrained by its pursuit of immediate material interest satisfaction.

Conclusions

After the early 1970s, the changes in the international economy and the place of the advanced industrial democracies within it were visible to all who had to endure stagflation. The underutilization of capital, labor, and plant—combined with a rapid increase in the cost of living—touched all of the Western economies. The extent of the stagflation, however, varied greatly across the advanced industrial democracies. Two fundamental conclusions that help to illuminate the reasons for this differential performance can be drawn from the findings presented in this paper. First, any analysis of domestic political factors affecting economic performance must be predicated upon an accurate conception of the impact of position in the international economy. In the recession of the late 1970s, the degree of dependence on imported oil was a powerful determinant of the economic growth rates. Unless the perturbing influences of international factors are controlled for, observed relationships between domestic factors and economic performance may be wholly or partially spurious.

Second, even though position in the international economy had a large effect on economic growth between 1974 and 1982, the impact of domestic political structures was certainly important as well. Countries in which political economic structures approximated corporatist or market

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models were better able to adjust to international economic change than those with less coherent structures, in which labor was strong in either politics or the market, but not in both. Thus, even during a period of rapid and dramatic upheaval in the international economy, the domestic political structure of adaptation affected economic performance.

The results of this study by no means lay to rest the puzzle of the political determinants of economic performance. They merely emphasize the salience of three future research issues. First, given the relationship between domestic political structures and economic performance, the often-hypothesized intervening path through wage levels, strike volumes, and macroeconomic policies needs to be investigated.

Second, it is unclear from our analysis whether the combination of strong and centrally organized labor movements and leftist control of governments leads workers to regulate their militancy only to perpetuate the economic status quo (that is, to keep the jobs they already hold, at reduced wages), or whether such conditions lead labor to acquiesce in large-scale restructuring of national economies. As economists are quick to point out, the market can do both. If, on the other hand, corporatist structures are only able to defend the status quo successfully, it could be argued that they provide less desirable models for domestic political structures in a highly integrated and rapidly changing international economy. Since the post-1974 period has witnessed great shocks to the international economy, and the corporatist countries seem to have adjusted as well as any others to these shocks, the combination of encompassing labor organizations and leftist governments may be as conducive to structural economic change as market systems are. Further research into this question is required.

Third, the precise nature of the historical relationship between vulnerability to the vagaries of the international economy and domestic political structures needs to be further explored. Can the evolution of corporatist solutions to economic vulnerability be explained as the conscious intentions of political and social actors? How much weight should be given to deep structural forces, beyond manipulation by politicians?

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THE THEORY OF GAMES AND THE BALANCE OF POWER

By R. HARRISON WAGNER*

> If there is any distinctively political theory of international politics, balance-of-power theory is it. And yet one cannot find a statement of the theory that is generally accepted.
>
> —*Kenneth N. Waltz*[1]

THIS complaint continues to be valid even after Waltz's discussion of balance-of-power theory in the book in which it appeared. Three basic questions are at the heart of controversies about the balance of power. The first and most fundamental of these is whether the competitive behavior of states leads to some sort of international stability or equilibrium. The second is whether an equal or an unequal distribution of power among states is necessary for the existence of such an equilibrium. And the third is what number of major states is optimal, in some sense, for the stability of the system. The purpose of this article is to present a simple model of an international system, and to show that it is possible to provide answers to these questions for that system. My hope is that this exercise will bring us nearer to the goal of explaining important features of historical international systems.

Discussion of the stability of international systems is often hampered by a failure to define precisely what is meant by "stability." In this article, I will distinguish between "stability" and "peace." I will say that an international system is stable if the independence of all the actors in it is preserved. Thus, if a theory leads to the prediction that one or more of the states in a system will be eliminated, I will say that that system is, according to the theory, unstable. Peace will be defined as the absence of war. Thus, an international system can be stable even though it is

* Portions of this article were presented in a paper, of the same title, at the Annual Meetings of the American Political Science Association, Washington, DC, September 1984, and in "Alliances and Stability in N-Actor International Systems," a paper presented at the Annual Meetings of the American Political Science Association, New Orleans, LA, September 1985. I would like to acknowledge my indebtedness to Tom Schwartz, for repeatedly suggesting to me that balance-of-power theory had something to do with the instability of coalitions; Cliff Morgan, whose paper for Tom Schwartz's seminar helped inspire the model investigated here; Robert Powell and Emerson Niou, for many critical comments on earlier versions of this article; Peter Ordeshook, for being a supportive and sympathetic critic; and Jack Levy, for many discussions of the balance of power and international politics.

[1] Waltz, *Theory of International Politics* (Reading, MA: Addison-Wesley, 1979), 117.

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characterized by frequent wars in which many states are deprived of significant portions of their territory, so long as no state is completely eliminated.

One of the main contentions of the authors of the traditional literature on the balance of power is that competition among states leads to the protection of the independence of the members of the system.[2] William Riker argued in his well-known work on political coalitions, however, that international systems are inherently unstable.[3] Several scholars have tried to dispute Riker's conclusion in two major ways. One is to maintain that it rests on the false assumption that the international system has the properties of a zero-sum game.[4] The other is to maintain that it rests on the false assumption that the international system has the properties of a game that is played only once.[5] No one, however, has provided rigorous proof that either of these two changes in Riker's assumptions is necessary or sufficient to lead to a different conclusion.[6]

Discussion of the optimal distribution of power is hampered by the ambiguity of the word "power," and by the tendency to reduce the complexity of *n*-actor systems to the framework of two-actor systems. I shall assume that "power" means the ability of states to deprive other states of their resources through conventional war, and that this ability is a function of the ratio of the resources controlled by one side of a military conflict to those controlled by the other. I shall also assume that the capture of one state's resources by another state increases the power of the winner and decreases the power of the loser. That is not the only possible representation of the concept of power as it occurs in balance-of-power theory, nor is it necessarily the most realistic. It is, however, one that is consistent with much of the literature on the balance of power, and thus it is a good place to begin.

In one of the most influential discussions of balance-of-power theory, Inis Claude maintained that balance-of-power theorists associate stability with an equal distribution of power among states.[7] Some early balance-of-power theorists, however, went out of their way to deny any such association.[8] A.F.K. Organski, on the other hand, has argued that in-

[2] Leonce Donnadieu, *Essai sur la théorie de l'équilibre* (Paris: A. Rousseau, 1900).

[3] Riker, *The Theory of Political Coalitions* (New Haven: Yale University Press, 1962).

[4] Partha Chatterjee, *Arms, Alliances, and Stability* (Delhi: Macmillan Company of India, 1975).

[5] Morton Kaplan, *Towards Professionalism in International Theory: Macrosystem Analysis* (New York: Free Press, 1979).

[6] Evidence for this assertion is presented in R. Harrison Wagner, "The Theory of Games and the Balance of Power," Annual Meetings of the American Political Science Association, Washington, DC, September 1984 (subsequently revised).

[7] Claude, *Power and International Relations* (New York: Random House, 1962), 112-13.

[8] Friedrich von Gentz, *Fragments Upon the Balance of Power in Europe* (London: M. Peltier, 1806), 56-70; Donnadieu (fn. 2), 4.

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ternational stability is associated with an unequal distribution of power.[9] But, if coalitions as well as individual states are potential antagonists, it appears to be logically impossible for power to be distributed equally among all possible antagonists in *n*-actor systems. Equality of states, therefore, implies inequality of coalitions, and an unequal distribution of power among states is not inconsistent with a requirement that power be distributed equally between or among coalitions. Thus, this issue has not been well defined in the literature.

Discussion of the optimal size of the system has been hampered by a lack of clarity about how to distinguish the actors in the system from other independent states, and by a failure to distinguish clearly between propositions about the number of actors and propositions about the distribution of power among them. Most writings on the balance of power are—implicitly or explicitly—about the major powers. When authors discuss the properties of five-actor systems, for example, it is usually clear that they do not assume that the world consists literally of only five independent states. It is not always clear, however, what characteristics distinguish the major powers from those states that are not considered actors in the balance-of-power system. In controversies about the relative stability of bipolar and multipolar systems, it is also not always clear whether the distinction is between a world with only two major states and a world with several, or between a world with several major states of which two are much more powerful than the others, and a world with several major states among which power is distributed more equally.[10]

In this article, I will avoid the question of how to distinguish the major powers from other independent states. Thus, when I speak of a world of two or five states, I merely assume that only two or five states are relevant to the theoretical issues discussed. I will, however, investigate the difference between two-actor systems and *n*-actor systems (with the understanding that the "actors" are the major powers), as well as the difference between *n*-actor systems characterized by a power distribution that might plausibly be called "bipolar" and *n*-actor systems characterized by more equal power distributions.

It has often been suggested that the traditional literature on the theory of international politics assumes that states are rational, self-interested actors making choices in an anarchical environment. This implies that, even though the main theme of the balance-of-power literature is the

[9] Organski, *World Politics* (New York: Knopf, 1958), 271-338; A.F.K. Organski and Jacek Kugler, *The War Ledger* (Chicago: University of Chicago Press, 1980), 13-63.

[10] This distinction can also refer to the alliance structure that characterizes an international system.

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formation of coalitions, it would be a mistake to try to model such a system as an n-person cooperative game, since cooperative game theory implicitly assumes that coalition agreements can be enforced. A more natural way of modeling balance-of-power systems is to make coalition formation endogenous to an n-person noncooperative game in which one of the central analytical questions will be which coalition agreements (if any) are stable.

In the following pages I will present a simple model of an international system as an n-person noncooperative game in extensive form, and examine the stability of systems with two, three, four, and five actors. The initial assumption is that the interests of the actors are strictly opposed to each other, and that the power of states can be increased only by conquest. Subsequently, I will discuss the effect of exogenous changes in the power of states. Finally, I will drop the assumption of strict conflict of interest and examine the effect of assuming that some states are aggressive while others have purely defensive motivations.

A Simple Model

Any noncooperative game that incorporates the features of international systems emphasized in the international relations literature will be too complex to be represented by a standard game tree. It will therefore be necessary to work directly with the rules of the game. To begin with, I assume the following rules about the players of such a game and their preferences (P_n), the alternatives open to them (A_n), and wars (W_n):

P_1: States (labeled $S_1, S_2, \ldots, S_n$) control resources (labeled $R_1, R_2, \ldots, R_n$), measured by positive real numbers. (States whose resources are reduced to zero are considered to be eliminated from the game.)

P_2: The total quantity of resources ($R = \sum_{i=1}^{n} R_i$) is fixed, and the allocation of resources among states can be changed only through wars.

P_3: A state i prefers one sequence of resource allocations $\{R_i\}_{t=1}^{\infty}$ to another sequence $\{R_i'\}_{t=1}^{\infty}$ if there is some N such that for all $n \geqq N$, $\sum_{t=1}^{n} [(R_i)_t - (R_i')_t] > 0$.

P_4: Wars are costless; but if fighting a war and not fighting a war will lead to the same sequence of resource allocations for some state, that state will prefer not to fight.

A_1: Players may move at any moment, and always with full knowledge of all the moves made by all players until that time.

A_2: The alternatives among which players may choose are: (a) do nothing; (b) target some quantity of resources at one or more other players; (c) fight some other player or players at whom resources have been targeted; (d) communicate a proposal to another player that some

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alternative be jointly selected; (e) lend some quantity of resources to one or more other players; (f) decide at what rate to absorb resources from an inferior opponent, up to the maximum possible rate (see W_4 and W_5 below). (Since all these alternatives are available at every moment, they include the possibility of altering any choice that has been made previously.)

W_1: Resources can be used to acquire more resources, through wars.

W_2: In wars, resources must be targeted at other resources, so that resources of S_i directed at resources of S_j cannot simultaneously be directed at resources of S_k.

W_3: It takes a finite period of time (called a "day") to redirect resources from one targeted state to another.

W_4: Resources of S_i directed at S_j, but unopposed by S_j's resources, can absorb S_j's resources at a maximum rate of r units per "day," which is the same for all players.

W_5: Resources of S_i directed at S_j and opposed by S_j's resources can absorb S_j's resources if $R_i > R_j$. The maximum rate of absorption will be $r[1 - (R_j/R_i)]$. (Thus, if the ratio of opposing forces is $1/3$, the maximum rate at which the superior player can absorb the inferior player's resources will be $2/3$ the rate at which it could do so if it were unopposed.) If $R_i = R_j$, then no resources will be transferred between S_i and S_j. (If two states are at war with a third, the rates at which they can each absorb the third's resources are determined in the same way, depending upon how the victim targets its resources at the two opposing states.)

W_6: States control the resources of other states that are captured by their own resources.

W_7: States may lend some or all of their resources to other states. Any resources captured with the assistance of borrowed resources are controlled by the borrower rather than the lender. (Resources that are borrowed are no more vulnerable to capture by the state to which they are lent than other resources.)

These assumptions are for the most part self-explanatory. The rules about wars and how they are to be fought are designed to be simple, complete, and representative of some important features of conventional wars. The importance of having to choose against whom one targets one's forces was emphasized by Burns.[11] The provision for lending resources is designed to allow maximum freedom to states to determine the effects of wars on the subsequent balance of forces, and to represent the fact that subsidies and coordination of forces have been important in historical wars. It is important to note that, although the distribution of captured resources among members of an attacking coalition is determined by the rates at which they are absorbed by each, and these

[11] Arthur Lee Burns, "From Balance to Deterrence: A Theoretical Analysis," *World Politics* 9 (July 1957), 494-529.

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rates are influenced by the balance of forces between each attacker and the victim or victims, the attackers, under W_7 and A_2, have full freedom to control these rates jointly, and thus are free to agree on any formula for sharing resources captured from victims.

These assumptions imply that this is a noncooperative game with perfect information.[12] While the game need not end, it can end if every player but one is eliminated; the player that remains after all the others have been eliminated receives the highest possible payoff. Thus, although the game is too complex to allow an exhaustive list of the strategies available to the players, it nonetheless has an extremely simple structure. Since it is a game with proper subgames, it is possible to reason backward from endpoints in the implicit game tree, and thus assign values to each subgame. The basic question that concerns us is whether states will act so as to eliminate other states. If one state is eliminated from a four-actor game, for example, the result is to precipitate a three-actor subgame. If a value can be assigned to such a subgame for each player, it is possible to determine whether any players have an incentive to eliminate other players. The solution concept that is appropriate for this sort of game is the subgame perfect equilibrium.[13]

The meaning of the foregoing statements may be made clearer by an example. A simple game in extensive form is presented in Figure 1.

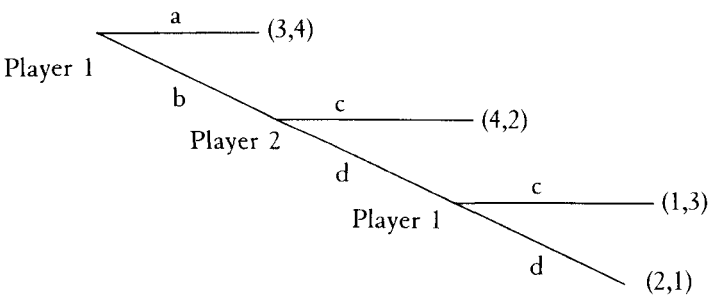

FIGURE 1

Player 1 has the last move, and it is clear from the payoffs given in the figure that Player 1, at that move, will want to choose *d* rather than *c*. But Player 2, at his move, can anticipate Player 1's choice of *d*; thus,

[12] In game theory, "perfect information" means that each player, when choosing, knows what choices have been made by other players; thus the players do not choose independently. This condition should not be confused with the standard assumption of "complete information," which means that all features of the game tree are common knowledge among the players.

[13] For a discussion of this and related issues, see David Kreps and Robert Wilson, "Sequential Equilibria," *Econometrica* 50 (July 1982), 863-94. I would like to acknowledge Robert Powell's help in defining the endpoints of this game and the players' payoff functions.

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Player 2 can ignore the possibility that Player 1 will choose *c*, and assign the payoffs (2,1) as the value of his own choice of *d* at his move. It is clear that Player 2 at his move will therefore choose *c* instead of *d*, and thus Player 1 should expect the payoff assignment (4,2) as the consequence of his choosing *b* at his first move. Thus, the expected outcome is for 1 to choose *b* at his first move, and for 2 then to choose *c*.

The reduced game that begins with Player 2's move is known as a subgame of the game in Figure 1; a subgame perfect equilibrium is simply a pair of strategies that are equilibria not only in the original game, but also in any subgames of the original game. The significance of the concept of a subgame perfect equilibrium can be seen by examining the game in Figure 2, which is the normal form of the game in Figure 1. It contains two Nash equilibria (marked "N.E."), even though it is evident from Figure 1 that there is only one outcome of this game that is consistent with rational behavior on the part of the players. The equilibrium in the upper right cell in the matrix in Figure 2 is the result of a hypothetical choice of *d* by Player 2. But we have seen that Player 2 will never choose *d* if he actually has the occasion to do so; thus, this strategy combination is not an equilibrium in the subgame that begins with Player 2's choice. The outcome in the lower left cell, however, is an equilibrium in that subgame, and thus it is the only subgame perfect equilibrium.[14]

The same point can be made in another way. In the game represented in Figure 2, Player 1's third strategy dominates his second. If we remove Player 1's second strategy from the matrix, Player 2's first strategy can be seen to dominate his second. Thus, choices that the backward analysis of the game tree reveals as contrary to rational behavior show up as dominated strategies in the normal form of the game; and the elimination of such choices from the game tree is equivalent, at least in two-person games, to eliminating dominated strategies from the game matrix. The elimination of dominated strategies will be an important means of simplifying the complex game that is the subject of this article.

If we begin the analysis of this game by considering all possible subgames consisting of two players, this will place us close to the endpoints in the game tree. Given the rules specified above, such subgames are trivial: Either $R_i > R_j$ for some i and some j, or $R_i = R_j$. If the former is true, then S_i will absorb S_j and the game is over; if the latter

[14] It is important not to confuse the various game-theoretic concepts associated with the word "equilibrium" with the use of that term by balance-of-power theorists. The question we are examining is, in fact, whether any equilibria in a suitably defined noncooperative game are consistent with instability (or a lack of "equilibrium") in the international system that the game is designed to represent.

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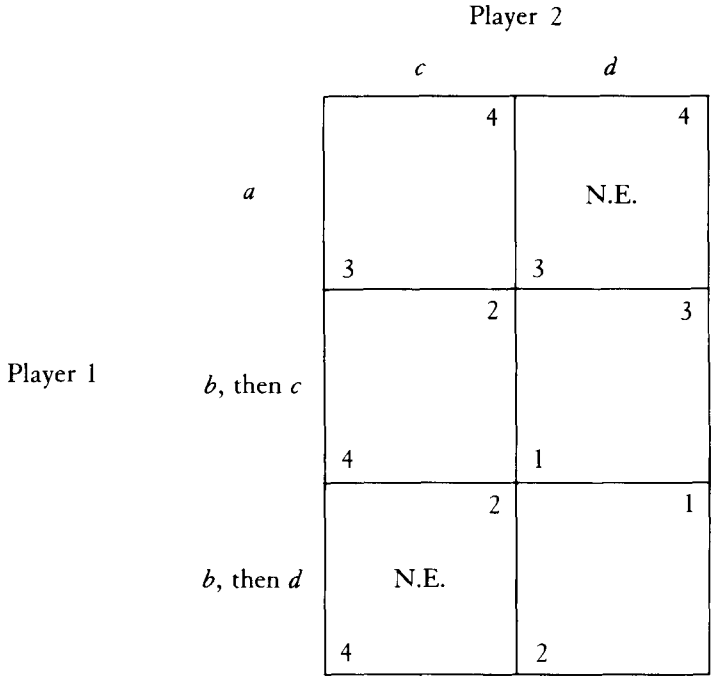

FIGURE 2

is true, then, by W_5, no resources will be transferred, and by P_2, this situation will persist forever. From this we can infer

REMARK 1: The outcome of any two-player subgame in which $R_1 > R_2$ will be a permanent allocation of $(R, 0)$; if $R_1 = R_2$, the outcome will be a permanent allocation of $(R/2, R/2)$.

The two parts of this remark can easily be generalized to apply to subgames with any number of actors, namely,

REMARK 2: The outcome of any subgame in which, for some player i, $R_i > R/2$ will be the permanent allocation of R to player i, and the permanent allocation of 0 to all other players.

PROPOSITION 1: The outcome of any subgame in which one player has exactly $R/2$ units of resources will be a permanent allocation to all players of however many units of resources they possess.

Proof: Suppose S_i controls $R/2$ units of resources. Then, if any state S_j does not target all its resources at S_i, S_i will be opposed by some quantity of resources less than $R/2$. Therefore, S_i will be able to acquire additional resources, giving it some quantity $R_i' > R/2$,

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which will lead to the elimination of the other players. But if all players keep their resources permanently targeted at R_i, no transfer of resources will be possible, and thus this allocation will be permanent.

Thus, no matter what the number of players, in a game characterized by these rules there is always at least one distribution of resources that leads both to the stability of the system and to peace. In systems with more than two actors, this distribution implies inequality among the individual states, but equality between the two permanent coalitions that form (one of which, of course, consists of a single state).

Three-Actor Systems

Let us now consider three-actor subgames. We know the outcome of such subgames if, for any state i, $R_i \geqq R/2$. Let us examine, then, subgames in which, for all i, $R_i < R/2$. Since, in these circumstances, all states will want to gain resources by attacking other states, let us consider subgames in which two states have attacked the third, and investigate whether the third state will be eliminated.

It is obvious that, if it can avoid doing so, no state will choose a course of action that will lead to a subgame in which another state has more than $R/2$ units of resources. But it is also obvious that, no matter how many players there are, one or more aggressors can always defect from an alliance and join the victim or victims before any state acquires more than $R/2$ units of resources. Therefore:

REMARK 3: Irrespective of the number of players, no player with fewer than $R/2$ units of resources can expect to acquire more than $R/2$ units of resources.

This leaves open the possibility, however, that in a three-actor system each aggressor may acquire exactly $R/2$ units of resources, which would imply the elimination of the victim. Remark 1 implies that both aggressors would then be better off than if they allowed the victim to remain independent. Thus, the fact that a balance-of-power game must be played again by the victors after a state has been eliminated is not enough to guarantee that states will not be eliminated.

Consider, for example, the distribution (100, 100, 100), and suppose the first two states join in an attack on the third. The two attackers control equal quantities of resources, and thus, if the victim targets its resources equally against them, they will be divided equally between them, and there is no reason why the victim should not be eliminated. Burns suggested that, if the victim targets all its resources against one attacker and does not resist the other, the result will be an unequal

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division of the gains between the two attackers, and thus the opposed attacker will not cooperate in eliminating the victim.[15] But the unopposed attacker would surely anticipate this outcome. And since the attackers are assumed to be free to coordinate their actions in any way they like, it appears that the unopposed attacker would agree not to absorb the victim's resources at a rate faster than the opposed attacker. This agreement would lead to an equal division of the spoils, leaving the opposed attacker willing to cooperate in the elimination of the victim.

In order to show that this reasoning is incorrect—and, thus, that Burns was on the right track—it will be necessary to establish a rather unwieldly proposition identifying the unique equilibrium combination of strategies in this subgame. I will first state this proposition, along with its immediate corollary, and then clarify its meaning by discussing an example.

PROPOSITION 2: The unique perfect equilibrium in any three-actor subgame that begins with the attack of two states against the third requires each player to select the following three-part strategy: (1) In any subgame in which one is a victim of an attack by two opposing states, target one's resources entirely at the weaker of the two, unless and until they are equal; thereafter, target at whichever attacker was one's former ally, if either of them was; otherwise, select an attacker at random and target one's resources entirely at it; if either attacker defects, join it in an aggressive coalition. (2) In any subgame in which one is an unopposed member of an attacking coalition, allow all captured resources to go to one's ally until both attackers control equal quantities of resources; thereafter, share captured resources equally, until it is possible to acquire $R/2$ units of resources or more before one's ally can shift its resources to prevent this. (3) In any subgame in which one is an opposed member of an attacking coalition, defect to the side of the victim as soon as one's ally fails to follow this strategy; otherwise, defect to the side of the victim at a time when one's ally will be able to acquire exactly $R/2$ units of resources before one's own resources are retargeted.

Proof: To establish that this is an equilibrium combination of strategies, we need only check that no player has an incentive to depart from it so long as the other two follow it. By Remark 3, an unopposed ally can expect to acquire no more than $R/2$ units of resources in any case, and thus has no incentive to depart from this strategy. The opposed attacker can do no better either, since its only alternative is to defect from the attacking alliance before

[15] Burns (fn. 11). See also Morton Kaplan, Arthur Burns, and Richard Quandt, "Theoretical Analysis of the Balance of Power," *Behavioral Science* 5 (July 1960), 240-52.

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its ally acquires $R/2$ units of resources. But if the opposed attacker defects early, then, so long as the other two states follow this strategy, it will find itself in exactly the same position in the ensuing subgame. Thus, it cannot improve its position by defecting early. Finally, it is obvious that if the victim resists both attackers equally, they have no incentive not to eliminate it. If the attackers are unequal, resisting only the smaller of the two hastens the time at which the larger one is on the verge of achieving dominance, and thus the time at which the smaller attacker must shift to the side of the victim. If the attackers are equal, on the other hand, the victim has no reason not to resist an attacker that was its former ally.

To establish perfection, it is only necessary to check that no player has an incentive to depart from any portion of this strategy if it becomes necessary to execute it. In particular, this equilibrium is sustained by (1) the threat of the unopposed attacker to resist its ally (once the attackers are equal) should its ally defect to the victim's side prematurely, and (2) the promise of the unopposed attacker to follow the prescribed sharing strategy in any subgames in which it is an unopposed attacker. But the unopposed attacker has no reason not to carry out this threat or fulfill this promise.

To establish uniqueness, notice first that the unopposed attacker achieves its maximum payoff by this combination of strategies, and that the other two players can only do worse by following alternative strategies once the unopposed attacker has made its choice. Thus we need only check to see if an alternative strategy for the unopposed attacker would lead to the same payoff. There are two possibilities. One is for the unopposed attacker to acquire $R/2$ units of resources from the victim without sharing equally with its ally until the last possible moment. This would lead to a smaller loss for the victim, who would therefore prefer this outcome. But in order for this to be an equilibrium, it would be necessary either for the victim to refuse to ally itself with the opposed ally if it defects, or for the transfer to be completed before the opposed ally had an opportunity to defect. The latter possibility is contrary to the assumed rules of the game; and the former, while it is an equilibrium, is not a subgame perfect equilibrium, since the victim would certainly prefer to join an alliance with the defecting aggressor if the opportunity arose.[16]

[16] Both Robert Powell and Emerson Niou have independently pointed out to me that, if the victim is allowed to make a preemptive transfer of just enough resources to the unopposed

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The other possibility is for the unopposed attacker to allow its ally to acquire more resources than it has itself, until the unopposed attacker has exactly $150 - r$ units of resources, its ally has 150 units, and the victim has r units; at that point, the unopposed attacker can seize the remaining r units and eliminate the victim. But this is not an equilibrium, since the victim can frustrate this strategy by always targeting at the lesser of the two allies so long as they are unequal, and will obviously want to do so.

Proposition 2 implies that three-actor systems will be stable. In order to determine whether systems with a larger number of actors will be stable, we must also determine the value of three-actor subgames. Thus we need the following proposition.

PROPOSITION 3: The outcome of any three-actor subgame that begins with the attack of two states against the third will be a permanent allocation of $(R/2, R/2 - r, r)$, where r is the quantity of resources an unopposed attacker can acquire from a victim in one "day" (see W_4), S_1 is the unopposed attacker, S_2 the opposed attacker, and S_3 the victim.

Proof: By W_3, it will take the opposed attacker one "day" to retarget its forces against its ally. By W_4, the unopposed attacker will be able to acquire r units from the victim during that day. Since at the end of that day, the unopposed attacker has $R/2$ units, it must have $R/2 - r$ units at the time the opposed attacker begins its defection. But, since at the time the opposed attacker defects, the two attackers must (according to Proposition 2) be equal, the victim must at that time have $2r$ units. Thus, the victim will be left with r units at the end of the war.[17]

Example: Consider again the distribution (100, 100, 100), and suppose the first two states join in an attack on the third. If the victim targets its resources equally against the two attackers, they will have no incentive not to eliminate it. Suppose, then, that S_3 targets its resources entirely

attacker to give it $R/2$ units, it will lose fewer resources, and will thus prefer to make this transfer. Moreover, if the opposed attacker would like to acquire resources peacefully, then it, too, will prefer this outcome, and this, rather than the outcome described in the text, is the only equilibrium. (For a development of this idea, see Emerson M. S. Niou and Peter C. Ordeshook, "A Theory of the Balance of Power," *Journal of Conflict Resolution*, forthcoming.) But what is necessary for the existence of this alternative equilibrium is not simply voluntary transfers, but transfers to which the opposed attacker has no opportunity to respond. Otherwise the reasoning in the text applies, and both the victim and the opposed attacker will prefer to join against the unopposed attacker if it tries to take advantage of the victim's offer. While the rules of the game do not allow voluntary transfers, therefore, the reasoning in the text is consistent with any means of transferring resources from the victim to the unopposed ally that allows the opposed ally to make a counter-offer before the transfer is completed.

[17] The quantity of resources with which the victim is left is thus determined by the relation between the rate at which unopposed attackers can absorb resources from their victims and

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at S_2. If S_1 should try to take advantage of this and attempt to acquire 150 units or more from S_3, then S_2 and S_3 have an incentive to combine against S_1. If S_1 coordinates its attack with S_2, however, so that S_3's resources are shared equally between them, then—since the most either side could expect is 150 units apiece—neither could do better by shifting to the side of the victim. On the last "day" of the war, however, S_1 is free to take advantage of the victim's unequal targeting; if it does so, it will acquire more than 150 units. Thus, S_2 must defect to the side of the victim prior to that time. (If, in anticipation of this outcome, S_1 should arrange for S_2 to acquire temporarily more resources than S_1, S_3 would clearly want to retarget its forces at S_1.)

Naturally, S_2 would prefer to acquire 150 units rather than somewhat less. And S_3 would be happy to agree to this if S_2 were to join it in an alternative alliance. But should such an alternative alliance form, S_1 would have an incentive to target its forces at whichever of the two was the smaller until S_2 and S_3 were equal, and thereafter at S_2 (its former ally). S_2 would have to allow S_3 to achieve equality in order to keep it from defecting, in turn, to S_1; thereafter, S_2 would be in exactly the same position in its new alliance as it occupied in the original alliance with S_1. Thus, the best it can expect is to allow S_1 to acquire exactly 150 units. The result will be a distribution such as (150, 145, 5)—which, as we know, all actors are deterred from upsetting.

We have been examining subgames in which two states have attacked the third. But in any three-actor system in which this has not happened, and in which no state has as many as $R/2$ units of resources, it is obvious that two states can improve their positions by doing so. I conclude, then, that not only is any distribution stable which gives one player one-half the resources and divides the remainder unequally between the other two; but also, so long as no actor has more than half the resources in the system, any other type of distribution will be transformed into one of the former type in a three-actor game conducted according to the rules stated above. This type of distribution can be said to represent both inequality of power (among the individual states) and equality of power (between the two sets of opposing forces); it is also the only

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the time required for states to retarget their resources. That is the (somewhat artificial) implication of the particular assumptions made earlier. The specific form of the conclusion is less important than the general point: that the inability of states to prevent their allies from taking advantage of the division of their victims is an important factor in preserving the independence of the victims. The conflict between the U.S. and the U.S.S.R. that arose out of the question of the division of Germany is perhaps a relevant example. See R. Harrison Wagner. "The Decision to Divide Germany and the Origins of the Cold War," *International Studies Quarterly* 24 (June 1980), 155-90.

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distribution in which one state has no choice but to come to the aid of another in order to prevent an aggressor from achieving supremacy.

Four-Actor Systems

We are now in a position to establish a number of facts about four-actor systems. We know from Proposition 1 that any four-actor system in which one actor controls exactly $R/2$ units of resources is both stable and peaceful. Proposition 3 will enable us to make statements about the stability of other types of four-actor systems. Two propositions are relevant to the stability of such systems; their meaning will be clarified by discussing some examples.

PROPOSITION 4: In any four-actor system in which there is at least one pair of states that together control more than $R/2$ units of resources *and one state is a member of every such pair*, a perfect equilibrium in any subgame that begins with an attack by a dominant pair of states against the other two requires each state to adopt a three-part strategy of the following type: (1) In any subgame in which one is a victim, do not resist the aggressor who is a necessary member of any dominant pair; treat this aggressor as a former ally in any subgame that begins with the elimination of the other victim, and, if either attacker defects, join it in an alliance. (2) In any subgame in which one is an unopposed ally, acquire as many resources as one can, sharing only enough resources with one's ally so that it is able to make some gains, but avoiding the elimination of any victim unless one can acquire at least $R/2$ units of resources by doing so; join with either victim if the opposed attacker defects from the alliance. (3) In every subgame in which one is an opposed attacker, acquire as many resources as one can, and defect to the side of the victims just in time to allow the unopposed attacker to acquire exactly $R/2$ units of resources.

Proof: To establish that this is an equilibrium, we need only make sure that no state has an incentive to depart from a strategy of this type so long as the others follow it. If the unopposed attacker shares resources with its ally so that one of the victims is eliminated, then, unless it acquires $R/2$ units of resources by doing so, it will be targeted by the remaining victim, and thus will be permanently allocated fewer than $R/2$ units of resources in the ensuing three-actor subgame; whereas, if it follows a strategy of this type, it will permanently be allocated $R/2$ units. If the victims follow such a strategy, neither will be eliminated; if they do not, then, given Proposition 3, either may be eliminated. And, since the unopposed ally is a necessary member of any dominant pair, there is no

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alternative two-member dominant alliance to which the opposed attacker can threaten to defect. But if the opposed attacker joins both the victims in a dominant three-actor alliance, that alliance can be broken up by a counter-offer to one of its members from the unopposed attacker. The same reasoning makes perfection and uniqueness obvious.

We can infer that, in any four-actor subgame, a player who is a necessary member of any winning two-actor coalition can expect to receive a permanent allocation of $R/2$ units of resources. It is also clear that every four-actor system that satisfies the conditions stated is stable so long as the sum of the resources of the dominant attacker and any victim is not exactly equal to $R/2$ units. But the following proposition implies that not every four-member system is stable.

PROPOSITION 5: In any four-actor system in which there is more than one pair of states that together control more than $R/2$ units of resources *and no single state is a member of every such pair*, there is an equilibrium combination of strategies that leads to the elimination of one of the actors.

Proof: In such a system the opposed attacker can threaten to form an alternative winning coalition with one of the victims if the unopposed attacker does not follow a sharing strategy similar to the equilibrium sharing strategy of three-actor systems. But such a strategy is consistent with the elimination of one of the victims.

Examples: Consider first the distribution (130, 25, 75, 70). In this case, S_1 is a necessary member of any two-actor winning coalition. If such a coalition forms, its victims target their resources at S_1's ally, and each victim threatens to treat S_1 as a former ally in any subgame beginning with the elimination of the other, then the optimal strategy for S_1 is to acquire 150 units without eliminating any actor. The only alternative winning coalition open to S_1's ally is a three-actor coalition; but this could be broken up by a two-actor counter-coalition organized by S_1. Thus, any ally who objected to S_1's refusal to share resources equally could only expect to find itself the victim of an alternative two-actor winning coalition.

Consider, on the other hand, the distribution (80, 80, 75, 65). Suppose S_1 and S_2 form a coalition against the other two states. In this case, if either attacker fails to share resources equally with the other, or fails to cooperate in maintaining one of the victims as an alternative coalition partner, the other can form an alternative winning coalition with the larger of the two victims, since if it does so, its position will be no worse than in the original coalition, and the former victim's position will be

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much better. But either attacker would prefer to be the second-ranking member of a three-actor system to being one of the victims in a four-actor system; thus, one of the victims may be eliminated.

From Proposition 5 we can immediately infer

PROPOSITION 6: *Any four-actor system in which each actor controls exactly* $R/4$ *units of resources is both stable and peaceful.*

Proof: A state can only be eliminated by the formation of a three-member attacking coalition. But suppose the victim targets its resources entirely at one of the three attackers. On the first "day" of the war, the other two together can acquire more than $R/2$ units of resources, and neither will be an essential member of a two-actor dominant coalition. But then, both other states can expect to lose resources, and one of them may be eliminated. Thus, if every actor threatens to target only another if the other were to join a three-actor attacking coalition, no such coalition can form.

In summary, then, with equal distributions, a four-actor system will be stable. Small deviations from equality, however, can lead to the elimination of one of the actors. Sufficiently unequal distributions will lead to stable arrangements in which one of the actors controls exactly $R/2$ units of resources.

FIVE-ACTOR SYSTEMS

We have seen that in any four-actor subgame, a player who is uniquely a necessary member of any winning two-member coalition can expect to receive a permanent allocation of $R/2$ units of resources. From this fact, Remark 4 follows immediately.

REMARK 4: In any five-actor game in which there is at least one two-member winning coalition, one player is a member of each such coalition, and this player is able to acquire no more than $R/2$ units of resources by eliminating one state, there are equilibria consistent with the elimination of one state.

Consider, on the other hand, the following example of a possible distribution in a five-actor system: (140, 60, 50, 25, 25). S_1 is a necessary member of any two-actor winning coalition, and can acquire $R/2$ units of resources (in this example, 150) without eliminating any actor. But S_1 has no reason to fear the elimination of any actor, since it will also be a necessary member of any two-actor winning coalition in any four-player subgame that would result from an actor's elimination. Suppose, however, S_4 and S_2 join in an attack on the other players, and the victims do not resist S_1. Assumption P_3 implies that S_1 should proceed as quickly as possible to acquire 150 units of resources. Since its ally is opposed

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but S_1 is not, that should occur before any victim is eliminated. Thus, like four-actor subgames, five-actor games that satisfy these conditions are stable. It is also obvious that Proposition 5 applies to five-actor games as well:

REMARK 5: In any five-actor system in which there is more than one pair of states that together control more than $R/2$ units of resources, and no single state is a member of every such pair, there is an equilibrium combination of strategies that leads to the elimination of one of the actors.

Consider, now, five-actor systems in which winning coalitions contain a minimum of three states. In four-actor systems, this condition implies that every state controls exactly $R/4$ units of resources. We saw that such systems are both stable and peaceful, because every winning three-actor coalition contains a two-actor subcoalition that is on the verge of being dominant; thus, three-actor coalitions cannot form. It is obvious that a five-actor system in which every winning coalition contains a two-actor subcoalition that is on the verge of dominance will be stable as well; but in five-actor systems, that condition is not associated with an equal distribution of resources among the states.

Compare, for example, the distributions (60, 60, 60, 60, 60), and (75, 75, 75, 40, 35). In the first situation all actors are equal, but there are winning three-member coalitions that do not contain two-actor subcoalitions that are on the verge of dominance. In the second case, however, every winning coalition contains a two-actor subcoalition that is on the verge of dominance; thus, this is a peaceful distribution.

It will be useful to establish the following additional general proposition about such five-actor systems:

PROPOSITION 7: In five-actor systems in which winning coalitions require a minimum of three members but no two states together control as many as $R/2$ units of resources, the unique perfect equilibrium of every subgame that begins with an attack by three states against the other two requires that states adopt the following four-part strategy: (1) In every subgame in which one is a victim, target one's resources exclusively at one of the attacking states, which should be (a) the smallest attacker unless they are equal; (b) the two victims' former ally (if any) if the attackers are equal; and otherwise (c) any attacker jointly selected at random by the two victims; if the attacking coalition breaks up, agree to join a coaliton with the defecting attacker willing to accept the smallest allocation of captured resources. (2) In every subgame in which one is an unopposed attacker, allow all captured resources to go initially to the smallest attacker until all are equal; then share captured resources equally with one's allies until the unopposed attackers together are able to acquire

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$R/2$ units of resources or more before the opposed attacker is able to switch alliances. (3) In every subgame in which one is an opposed attacker, defect to the side of the victims as soon as the unopposed allies fail to follow the prescribed sharing policy; otherwise, defect at a time when the unopposed attackers are each able to acquire exactly $R/4$ units of resources before the forces of the opposed attacker are retargeted. (4) Once two unopposed attackers acquire $R/4$ units of resources apiece and the opposed attacker defects, the resulting two equal coalitions should maintain their forces permanently targeted at each other.

Proof: Much of the reasoning in support of Proposition 2 can be applied to Proposition 7. Victims will want to offer greater gains to one of the unopposed attackers, but cannot commit themselves not to accept more favorable counter-offers from the other unopposed attacker. An opposed attacker will be opposed in every subgame that begins with a defection to the other side, and thus cannot improve its position. Finally, so long as other players follow this strategy, no attacker can expect to acquire more than $R/4$ units of resources. Thus, as a result of assumption P_4, once both unopposed attackers have acquired $R/4$ units of resources apiece and the opposed attacker has shifted to the other side, neither unopposed attacker will wish to join in a subsequent war in alliance with one of the former victims.

To establish uniqueness, notice first that the victims' portion of the strategy dominates any other strategy available to victims. Moreover, the prescribed defection by the opposed attacker before its two allies together control more than $R/2$ units of resources dominates any other strategy available to the opposed attacker. Thus, neither unopposed attacker can expect to acquire more than $R/4$ units of resources. These facts alone imply the uniqueness of this equilibrium.

Example: Consider the distribution (60, 60, 60, 60, 60). Suppose the first three actors contemplate joining together to seize resources from the other two. Since there is an alternative winning coalition available for every member of this one, the only equilibrium agreement for sharing resources is to share them equally. The two victims can then agree to target their resources exclusively at, say, S_3. If S_3 defects just in time to allow S_1 and S_2 each to acquire exactly 75 units of resources, the result will be the permanent allocation of $[75, 75, 150 - (x + y), x, y]$, where $x + y > 75$. Proposition 7 implies that, although this distribution is not identical to the stable distribution $(75, 75, 75, x, y)$ (where $x + y = 75$), it is nonetheless stable as well.

We have seen, then, that constant-sum systems can be stable, in the

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sense that none of the actors will be eliminated. We have also seen that, in each type of system examined, there is at least one distribution of power that leads not only to system stability but also to peace, in that all combinations of actors are deterred from overturning it. Some of these peaceful distributions are more stable than others, in the sense that small deviations from them will lead to a return to another distribution of the same type rather than to the elimination of any actors. These more stable distributions are characterized by an inequality of power among the actors.

Furthermore, while systems with any number of members from two through five can be stable, there is a well-defined sense in which a three-actor system is the most stable: in three-actor systems (unlike four- and five-actor systems) a sufficient condition for stability is that no state be able to defeat any combination of other states; but in three-actor systems, unlike in two-actor systems, that condition is satisfied by a wide range of distributions. Moreover, so long as this condition is satisfied, any deviation from a peaceful distribution in three-actor systems will lead to wars resulting in a return to another distribution of the same type; in other types of systems, such deviations can lead to the elimination of one or more states.

These results are not only interesting in their own right, in light of the debate on these questions in the literature, but will also be helpful in analyzing the effects of exogenous changes in the power of states.

Exogenous Changes in Resources

It is unrealistic to assume that the total quantity of resources in the system is fixed; doing so prevents us from considering the effects of economic development on the stability and peacefulness of international systems. It is a simple matter to identify the effects of increases in the resources of some of the actors on the stability of the systems examined above. But that is not enough to determine the effects of expectations of such changes on the behavior of states in the system. Let us consider, then, the effects of the following change in the rules of the game:

P_2': The total quantity of resources available to all states is fixed for the duration of wars. After any war, however, the total quantity of resources will be increased. The amount of the increase and its distribution is unknown to the players during wars, but becomes known prior to its occurrence.

This assumption implies that during wars it is common knowledge that growth will occur after the war; during wars, however, states are

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unable to anticipate how growth will affect the balance of power. This assumption will allow us to consider the effects of long-term changes in the military potential of states on the stability of the international system. Since such changes do not occur overnight, it is plausible that they occur too slowly to affect the outcome of individual wars, but that states acquire information about them before they affect the distribution of power.

We have seen that, with fixed resources, there is in every system examined at least one distribution of resources that is peaceful, in the sense that every combination of actors is deterred from overturning it. Moreover, in every system wars lead to one or another of these peaceful distributions, even if that implies the elimination of one or more of the actors in the system. In considering the effect of exogenous changes in resources, it will be useful to look more closely at these peaceful distributions. They can be divided into two types. One type is characterized by the fact that every small deviation from the peaceful distribution will lead to the elimination of one or more states. The other type is characterized by the fact that there are some small deviations from the peaceful distribution that will lead to a return to another distribution of the same type (though after a reallocation of resources among the states in the system).

As examples of the first type, consider the distributions (150, 150) and (75, 75, 75, 75). In neither case is it possible to transfer a small quantity of resources from any actor to any other actor without producing a situation in which there are equilibria consistent with the elimination of at least one actor. As examples of the second type, consider the following distributions: $\{(150, x_1, x_2, \ldots x_n) \mid \sum_{i=1}^{n} x_i = 150\}$; $\{(75, 75, 150 - x - y, x, y) \mid 75 \leqq (x + y) < 150\}$.[18] In these cases, small reductions in the resources controlled by the largest states will lead to a war whose result will be a return to a distribution of the same type.

Let us call both types of distribution balanced distributions, and call the second type stable balanced distributions and the first type unstable balanced distributions. Another implication of the analysis above is

REMARK 6: In systems with no more than five actors and fixed resources, wars lead to stable balanced distributions rather than unstable balanced distributions.

These results suggest a natural method by which states can protect themselves from the possibility that changes in the distribution of power, resulting from exogenous increases in resources, might lead to their elimination.

[18] For the vertical bar in these distributions, read "such that."

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Both types of stable balanced distribution were shown to be the result of the defection of an attacking ally, which was timed so that the other member or members of an attacking coalition were allowed to acquire a total of exactly $R/2$ units of resources. If the state or states that control $R/2$ units are further strengthened as the result of growth, the outcome may be the elimination of one or more actors. The fact that the potential victims receive advance warning of the impending increase will be of no help, since the resources they control are just equal to the resources of the state or states that will soon be dominant. But if, instead, a defecting attacker times its defection so that its ally or allies are allowed to acquire a total of only $R/2 - \epsilon$ units of resources, then, once the distribution of any exogenous increase in resources becomes known, it will always be possible to redistribute the existing resources in order to compensate for the expected change. (In other words, it will be possible for states threatened by an expected increase in the power of other states to wage a preventive war.)

Because the effect of following such a strategy is to reduce the resources controlled, in equilibrium, by the defecting state, we need to make sure that defecting states have an incentive to follow it.

PROPOSITION 8: Let ϵ be the smallest distinguishable quantity of resources such that $R/2 - \epsilon < R/2$. Then, in systems containing three to five actors and characterized by assumption P_2' (as well as the other assumptions stated earlier), defecting from an attacking alliance just in time for any ally or pair of allies to acquire $R/2 - \epsilon$ units of resources dominates any other strategy for opposed attackers.

Proof: We have already established that defecting before any ally or pair of allies acquires more than $R/2$ units dominates any other strategy. It is only necessary, then, to compare the effects of allowing the acquisition of $R/2$, $R/2 - \epsilon$, and fewer than $R/2 - \epsilon$ units. If there is any increase in the resources of any actor or pair of actors that together control $R/2$ units of resources, one or more states will be eliminated. Suppose, however, that one or two actors together control $R/2$ units, and the resources of some other actor or actors in the system are increased. The result will be to increase R, and hence $R/2$. Thus the existing distribution is no longer balanced, and the result will be the formation of a new attacking coalition and the creation of a new balanced distribution. The outcome of such a reallocation, however, will not be affected by whether the formerly dominant state or states together had $R/2$ or fewer than $R/2$ units of resources.

Thus, the difference between allowing the unopposed attacker

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or attackers to acquire $R/2$ units and allowing them fewer is that the latter removes any risk that the defecting attacker may be eliminated, but implies that the defecting attacker will control fewer resources until growth leads to a reallocation. On the other hand, defecting before the unopposed attacker or attackers acquire as many as $R/2 - \epsilon$ units will not affect the likelihood of any state's being eliminated, but will only reduce the resources controlled, for the time being, by the defecting attacker. Thus, allowing unopposed allies to acquire exactly $R/2 - \epsilon$ dominates allowing them any smaller amount of resources.

If an opposed attacker instead allows its unopposed ally or allies to acquire $R/2$ units of resources, the opposed attacker will temporarily control ϵ more units of resources, but with some risk that it will be eliminated. Let p be the probability that the opposed attacker will *not* be eliminated, and R_{min} the minimum quantity of resources that the opposed ally will ever control if it is not eliminated. Then, if we consider an infinite stream of these two possible resource allocations, there is clearly some N such that for $n \geqq N$, $\sum_{t=1}^{n} (R_{min})_t - \epsilon > p \sum_{t=1}^{n} (R_{min})_t$. Thus, allowing unopposed allies to acquire exactly $R/2 - \epsilon$ dominates any other strategy available to opposed allies.

From this, we can immediately infer

PROPOSITION 9: If states anticipate exogenous increases in resources, any distribution in which no state controls more than $R/2$ units of resources and one or two states together control exactly $R/2 - \epsilon$ units of resources is a balanced distribution.

Proof: It is only necessary to point out that, since opposed allies have a dominant strategy to defect before states acquire more than the allocation implied by the dominant defection strategy, no state that has acquired this amount has an incentive to join in an attack on any other state.

Thus, in equilibrium, exogenous changes in resources lead to war, but not to the instability of international systems. With fixed resources, peace is the result of inequality of power among states, but equality of power between two coalitions. With exogenous changes in resources, however, there is no connection whatever between a balanced distribution of power and equality.

Nonconstant-Sum Systems

We have established that constant-sum international systems can be stable, even with exogenous changes in the distribution of resources.

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Since one of the questions raised by the theoretical literature on the balance of power is whether the nonconstant-sum nature of historical international systems is part of the explanation for their stability, this is an interesting result. It is tempting to think that, if constant-sum systems are stable, then nonconstant-sum systems must be stable as well—and therefore, that we have answered the central question of balance-of-power theory. An examination of a non-constant sum version of the game discussed above will show that this is not true, however.

The reason why conflict is not total in natural international systems is that expansion is costly and has diminishing marginal utility for the actors in the system. Let us, then, change the rules of the game so that they include this feature of historical systems. In doing so, we will continue to assume that resources are not destroyed by war. Resources, then, are to be interpreted as something similar to potential GNP, which can be translated directly into military power, but which also has alternative uses. Just as the damage suffered by Germany and Japan during World War II did not destroy the economic—and therefore military—potential of these countries, so in this model, resources are not reduced by wars. The costs of expansion in this model, then, are two-fold. First, we have the injury, loss of life, and output lost to consumption that result from wars. Second, there may be continuing costs of controlling resources captured from other states. Thus, let us assume that, since resources also have diminishing marginal utility, there is a certain optimal quantity of resources for every state. States whose resources are below that quantity will be willing to pay any costs involved in acquiring more, but once that quantity has been acquired, they prefer not to expand further.

Let us, then, modify the rules of the game presented above by substituting the following assumptions for P_3 and P_4:

P_3': State i prefers one sequence of resource allocations, $\{R_i\}_{t=1}^{\infty}$, to another sequence, $\{R_i'\}_{t=1}^{\infty}$, if there is some N such that for all $n \geqq N$, $\sum_{t=1}^{n} \{[U_i(R_i)]_t - [U_i(R_i')]_t\} > 0$, where $U_i(R_i)$ represents the utility that state i derives from R_i.

P_4': Wars are costly; for every state, there is some optimal quantity of resources below which the gains from war exceed the costs, and above which they do not.

I will continue to assume that resources are transferable among states, and that they have the same military value whether they are used aggressively or defensively. And let us, in order to isolate the effects of these new rules, for the moment revert to the assumption that the total quantity of resources is fixed.

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Unchanging Motivations

With these new assumptions, the nature of the game obviously depends on the relation among the optimal sizes of the member states. If there are sufficient resources for all states to reach their optimal size, there is no conflict among states whatever. If not all states can reach their optimal size, but members of winning coalitions can do so without eliminating other states, there will be conflict, but no state will be eliminated. Consider, for example, a three-actor system in which there are 300 units of resources and the optimal size for each state is 125. Then the distribution (125, 125, 50) is obviously a stable balanced distribution.

The question of system stability arises, then, only if one or more states must eliminate one or more other states in order to reach their optimal size. Once again, the nature of the game will depend upon the exact configuration of optimal sizes, but one might naturally ask whether there is any system that is stable regardless of the optimal sizes of its members. It is easy to see that there is not.

PROPOSITION 10: With assumptions P_2, P_3', and P_4', in systems containing any number of actors from two through five, there is some configuration of optimal sizes of states that produces an unstable system.

Proof: Suppose in any system there is one state that can attain its optimal size by eliminating one other state, that it controls sufficient resources to do so, and that any other states that exist have achieved their optimal sizes. It is obvious that no state not threatened by the expansionist state has any reason to prevent the elimination of the threatened state, and that therefore the latter will be eliminated.

It seems intuitively plausible that the more conflict there is in the system, the less stable the system will be. It is now clear, however, that this intuition is incorrect. Systems are most stable when conflict is either nonexistent or total. In between, no system is unconditionally stable. There are several ways in which conflict of interest promotes stability. Consider, for example, the following distribution in a system with fixed resources: (150, 140, 10). S_2 can be expected to protect S_3 from S_1 in order to prevent S_1 from becoming the dominant power in the system and subsequently eliminating S_2. This, of course, is the force for stability that is emphasized in most of the traditional balance-of-power literature. In addition, neither S_2 nor S_3 will join with S_1 against the other, in order to avoid being eliminated in turn by their former ally. This is the force for stability that has been adduced by critics of Riker's analysis. Finally, S_2 is deterred from attacking S_3 by the fact that, while its forces are

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directed at S_3, S_1 can achieve supremacy. This additional proposition is necessary for the conclusion that this is a balanced distribution. (As we have seen, these statements apply only to balanced distributions such as this one; further argument is needed to show that unbalanced distributions will not lead to the elimination of states.)

If some states in the system are satisfied, and others can be satisfied without eliminating all satisfied states, then the above statements may not be true, and instability can result. But, for the first two forces for stability to be absent, states must be confident that the optimal sizes of other states will never change. Consider, for example, the distribution (130, 140, 30), and suppose the optimal size for S_1 to be 160 and for S_2, 140. With unchanging optimal sizes, S_2 has no reason to prevent the elimination of S_3. But if the optimal size of S_1 should ever increase, S_2 would lose resources and could be eliminated.

Changing Motivations

It is unrealistic to assume that optimal sizes will never change.[19] Let us, then, consider the effect of amending P_4 to read

> P''_4: Wars are costly, and for every state there is some optimal quantity of resources below which the gains from war exceed the costs, and above which they do not. The optimal quantity of resources for each state is constant during wars, but is subject to random changes after wars.

Consider now the distribution (160, 140), where the optimal size of S_1 is 160. With this change in assumptions, S_2 is exposed to the danger that the optimal size of S_1 might increase, leading to a loss of resources by S_2 and perhaps its elimination.

For the first time, then, we encounter a situation in which it becomes plausible to speak of security as an independent motive for expansion. Now that expansion, beyond a certain point, costs more than it is worth, states are faced with the need to compare the costs of expansion not only with the utility they place on additional resources, but also with the effects of additional resources on the security of the resources they already control. Thus we need to make some assumption about how states make this comparison.

One possibility is that states will prefer any resource allocation that leads to a smaller probability of elimination to one that leads to a larger probability of elimination. States can lose resources, however, without being eliminated, and thus they can protect themselves from elimination

[19] Robert Gilpin, *War and Change in World Politics* (Cambridge and New York: Cambridge University Press, 1981).

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without reducing the danger that they will lose resources. Consider again the distribution (130, 140, 30). If all states, once they reach their optimum size, seek only to reduce the probability of their own elimination, each state need only act (as traditional balance-of-power theory suggests) to prevent any other state from acquiring more than 150 units of resources. But any state in this system can lose a considerable quantity of resources before this happens. Thus, if S_1 should become expansionist and attack S_3, S_3 can lose most of its resources before S_2 has a reason to intervene.

A stronger assumption about the security interests of states would be that each state will seek to expand beyond its optimal size as long as doing so diminishes the probability that it will ever be reduced below its optimal size. It seems plausible that for each state there is some quantity of resources above the barest minimum that would be valued in this way; in any case, much of the international relations literature seems to make this assumption about the security interests of states. Let us, then, further amend P_4 to read:

> P'''_4: Wars are costly, and for every state there is some optimal quantity of resources (above the minimum distinguishable amount) below which the gains from war exceed the costs, and above which they do not. Each state, however, will seek to expand beyond its optimal size as long as doing so diminishes the probability that it will ever be reduced below its optimal size. The optimal size of states is constant during wars, but is subject to random changes after wars.

It will not be possible in the space available to provide an exhaustive analysis of games played according to this rule. Nonetheless, it will be illuminating to consider some examples.

Obviously, this assumption has different implications if resources are fixed than it has if they are not. If resources are fixed, then no state whose optimal size is less than $R/2$ units of resources has any reason to acquire more than $R/2$ units: if it has exactly $R/2$ units, no state or combination of states can take any resources from it. But no system will be stable when it is possible for one state to acquire exactly $R/2$ units of resources by eliminating another state. Consider, for example, the distribution (150, 140, 10), and suppose the optimal size of S_1 is less than 150 units. If the optimal size of S_2 increases to 150 units or more, there is no reason why S_3 should not be eliminated.

Suppose, on the other hand, that we assume P'_2 once again. In exploring the implications of this assumption, let us distinguish informally between what one might call short-sighted strategies and far-sighted strategies for maximizing security. A state following a short-sighted

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strategy seeks only to protect itself from the possibility that other states may become expansionist within the framework of the existing quantity of resources, while avoiding the possibility that any state will achieve dominance. As an example, consider the distribution (140, 120, 40), and suppose that the optimal size of S_2 is 100. Since S_1 will acquire $150 - \epsilon$ units of resources before S_2 is reduced below its optimal size, and since S_2 could count on the support of S_3 thereafter, S_2 would be satisfied with this distribution if it pursued a short-sighted security-maximizing strategy.

A far-sighted strategy, on the other hand, would take into account the possibility that the power of S_3 might increase in the future. Then, once it became known that such an increase was to occur, S_3 might be willing to allow the transfer of some of S_2's resources to S_1. In order to reduce the probability that after such a loss of resources it would be below its optimal size, S_2 should prefer to control more resources in the original distribution. But this would be true no matter how many resources S_2 controlled. This informal discussion suggests, then, that the only equilibrium strategy for states to follow in games played according to assumptions P_2', P_3', and P''_4' is for each state to seek always to maximize its resources, unless it controls at least $R/2 + \epsilon$ units. But this implies that such games are strategically identical to constant-sum games.

In any distribution in which one state controls $R/2 - \epsilon$ units of resources, however, even a short-sighted security-maximizing strategy will lead to behavior very similar to a constant-sum game, since the largest state has an incentive to acquire $R/2 + \epsilon$ units of resources if it can, while all other states have an incentive to prevent it from doing so. In contrast, consider the distribution (60, 60, 60, 60, 60), and assume that the optimal size of all states is 60. Should three states become aggressive, they will be able to take resources from the other two. Thus, any three states will prefer to preempt this possibility by forming a winning coalition, even if they follow only short-sighted security-maximizing strategies. But no state will want to allow the development of a two-actor winning coalition. One attacker will therefore defect before its allies together acquire 150 units of resources. Suppose the result is (74, 74, 70, 41, 41). In the constant-sum case, some such distribution would be balanced if the first two states controlled as many resources as any actor could expect: the third could not improve its position by joining the other two in an attack as long as it expected to be targeted as a former ally by the first two, and, should a war develop among the lesser three, the first two would be expected to take advantage of it and acquire more resources.

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If all states pursue far-sighted security-maximizing strategies, then such a distribution will be stable for exactly the same reasons. If states pursue short-sighted security-maximizing strategies, however, the situation may be different. S_3 can count on the protection of S_4 and S_5 in the event of an attack by S_1 or S_2, and S_3 is secure against an attack by either S_4 or S_5. S_3 is threatened, however, by an alliance between S_4 and S_5. S_1 and S_2, on the other hand, are secure against every eventuality except a joint attack by the other three states. But as long as the optimal size of S_3 does not increase, it has no reason to participate in such an attack if it can be made secure against an attack by S_4 and S_5.

S_1 and S_2 may reason that, unlike in a situation in which one state already controls $150 - \epsilon$ units of resources, further expansion cannot protect them from the sort of danger posed by a potential increase in the optimal size of S_3 (since some state must always be faced by a superior coalition if no state is to be allowed more than $150 - \epsilon$ units of resources). Thus they may conclude that they have a common interest in the immediate future in guaranteeing the security of S_3. But either S_1 or S_2 is powerful enough to defend S_3 alone. In this model, if sufficient resources are targeted at S_4 and S_5 in the event of an attack on S_3, no resources will be transferred. Thus there is no cost to this method of defending the distribution. In a world with greater uncertainty, however—in which threats do not always deter and defensive wars must sometimes be fought—S_1 and S_2 would each prefer that the other defend the victim. Thus, this method of defending their interests gives rise to a problem of coordination between S_1 and S_2.

This example is interesting because the traditional literature on the balance of power is divided between writers who argue that balance is the result of a "hidden hand," which produces stability out of the competitive behavior of states seeking to maximize their security and writers who argue that balance requires the explicit cooperation of states that have a common interest in maintaining it. It may also be relevant to Kenneth Waltz's well-known distinction between bipolar and multipolar systems. In arguing for the lesser stability of multipolar systems, Waltz has noted:

> Since one of the interests of each state is to avoid domination by other states, why should it be difficult for one or a few states to swing to the side of the threatened? ... the members of a group sharing a common interest may well not act to further it. ... *A* may ... say to *B*: "Since the threat is to you as well as to me, I'll stand aside and let you deal with the matter." ... Contemplation of a common fate may not lead to a fair division of labor—or to any labor at all.[20]

[20] Waltz (fn. 1), 164.

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Bipolar systems, on the other hand, do not suffer from this problem, according to Waltz.

Bipolar systems are sometimes equated with two-actor systems. As we have seen, there are no stable balanced distributions in two-actor systems. But if bipolarity refers, not to the number of major powers, but to the distribution of power among them, a distribution in which one actor has $R/2 - \epsilon$ units of resources, another slightly less, and the remaining resources are divided among a number of smaller states, might be called a bipolar distribution. If so, the type of distribution just examined might be called a multipolar distribution.

A bipolar system defined in this way would have some of the properties often attributed to natural bipolar systems—among them the antagonism of the two largest states, the permanence of the alliance commitments of lesser states, and the overall stability of the system. The process that leads to the stability of such a system would not be characterized by the sort of difficulty mentioned in the quotation from Waltz, no matter which type of security-maximizing strategy is adopted. If states follow short-sighted security-maximizing strategies, the multipolar type of balanced distribution, on the other hand, can, as we have just seen, be subject to the sort of difficulty that Waltz has noted. But these differences between the two distributions are not the result of the fact that in the bipolar distribution there are two states that are larger than any others (that is also true of the multipolar distribution); they are caused, rather, by the fact that in the bipolar distribution one state is on the verge of supremacy, can increase its security by achieving supremacy, and can only be prevented from doing so by the combined forces of all other states in the system.

Conclusions

I have examined a simple model of an international system as an n-person noncooperative game in extensive form, and inquired into the stability of systems with two, three, four, and five actors. Initially, I assumed that the interests of states were strictly opposed; subsequently, that some states were aggressive and others defensive, while wars were costly for all. I found not only that constant-sum systems are stable, but also—contrary to most people's intuition—that stability is actually fostered by conflict of interest among states. I also found that, if the power and interests of states are expected to vary over time, and if states always act so as to minimize the probability that they will be deprived of some of their resources by other states, then a nonconstant-sum system will

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have most of the properties of a constant-sum system. Thus, paradoxically, uncertainty about the future, by fostering conflict, promotes stability.

Systems with any number of actors from two through five can be stable but, contrary to some unsupported assertions in the literature, there is a well-defined sense in which the most stable system is one with three actors. Moreover, for any number of actors from two through five, there is at least one distribution of power that leads not only to system stability but also to peace. Some of these peaceful distributions are more stable than others, in that small deviations from them will lead, not to the elimination of any actors, but to another distribution of the same type. These more stable distributions are characterized by inequality among states. If one wants to say that power is "balanced" when it is distributed in one of these ways, then one can say that there is no connection whatever between a balance of power and an equal distribution of power. And if the "polarity" of the system has to do not with the number of actors but with the distribution of power among them, then it is possible to distinguish between a bipolar and a multipolar balance, the properties of each of which are to some degree similar to assertions made about them in the literature (though the explanation for these properties is not). In systems with more than two actors, all wars lead to one of these more stable peaceful distributions, even if one or more states are eliminated in the course of the war. Thus one can say that wars are the mechanism by which power is balanced.

By modeling an international system as a noncooperative game, I have been able to represent one of the features of international politics central to some so-called "realist" theories, namely its anarchic nature. Several writers on international politics have suggested that the most fundamental explanation for international conflict is the inability of states in an anarchic system to make binding agreements, which leads to suboptimal equilibria.[21] But in the present model the uncertainty that leads to the stability of nonconstant-sum systems is the result of the fact that the motivations and power of states are always subject to change. And in situations in which the preferences of the actors are subject to change, the concept of optimality is not well defined. Moreover, in this model, if states are expansionist, their inability to make binding agreements is an essential part of the explanation of their ability to preserve their independence.[22] Thus it is not clear that there is a well-defined sense in

[21] See, for example, Robert Jervis, "Cooperation under the Security Dilemma," *World Politics* 30 (January 1978), 167-214.

[22] The problem with Riker's argument (fn. 3), therefore, is neither the zero-sum as-

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which an increase in the ability of states to make binding agreements would be a Pareto improvement in a model such as the one developed here. Realist students of international politics often draw an analogy between international systems and economic markets. Much of the recent literature on international cooperation seems to have overlooked the fact that, even in economic markets, cooperation is not always socially desirable.[23]

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sumption, nor an assumption that balance-of-power games are not repeated, but the assumption implicit in the theory of cooperative games that coalition agreements are enforceable.

[23] In order to avoid misunderstandings, let me emphasize what should be obvious: that the game analyzed in this article is quite different from either a single-play or a repeated Prisoners' Dilemma game, and therefore the literature on international cooperation based on the analysis of Prisoners' Dilemma games is not relevant to the issues examined here. See also R. Harrison Wagner, "The Theory of Games and the Problem of International Cooperation," *American Political Science Review* 77 (June 1983), 330-46.

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THE WEAPONS SUCCESSION PROCESS

By MARY KALDOR*

THIS essay is an attempt to explore the process by which one weapons system succeeds another. In other words, it is about the process of military-technological change. Among students of arms control, there is a debate about whether military-technological change is determined by demand factors (i.e., the external requirements for weapons), or supply factors (i.e., domestic institutional and systemic pressures). My approach, which I call the weapons succession process, focuses on the interaction between these different types of explanation. To develop this approach, I have combined classical economics with recent theories of bureaucratic politics.

Classical economics was concerned with the mechanism for reconciling demand and supply, the process by which resources are organized to satisfy a particular need. This analysis confined itself to the satisfaction of material needs and the production of material goods or commodities. Yet it could be applied to the fulfillment of other kinds of social tasks—for example, the production of a legal system, or production for war. The analysis has also been applied to the family, as a way of explaining how resources are organized to fulfill domestic needs.[1] Some economists have used Marshallian economic theory in analyzing the acquisition of weapons; but they were concerned primarily with improving the efficiency of the weapons acquisition process rather than with understanding the process so as to change it.[2]

Classical economics started from the assumption that the act of production and the act of consumption were separated, and that some kind of mechanism had to be found to reconcile resources with needs and demand with supply. In the market system, price is the mechanism that determines the allocation of appropriate quantities of resources required to satisfy a particular set of needs expressed in consumer preferences.

* Based on research supported by the Social Science Research Council, U.K., and collective thinking by the Military Technology and Arms Limitation Group at the Science Policy Research Unit, University of Sussex.

[1] Sheila Rowbotham, *Woman's Consciousness: Man's World* (London: Pelican Books, 1973).

[2] See, for example, Merton J. Peck and Walter Scherer, *The Weapons Acquisition Process* (Cambridge: Harvard University Press, 1962); Roland McKean, ed., *Issues in Defense Economics* (New York: National Bureau of Economic Research, 1967); Keith Hartley, *NATO Arms Cooperation: A Study in Economics and Politics* (London: George Allen & Unwin, 1983).

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In an economy where consumer preferences change and where technical change leads to changing resource requirements, the conditions under which a stable set of relative prices can be obtained are extremely restricted.[3]

In a centrally planned economy, price is determined through a process of bureaucratic bargaining; planners, however, on the basis of restricted assumptions about the nature of production and utility functions, often try to behave as though a market did exist and it were possible to determine a set of "equilibrium prices." In this situation, unsold goods or shortages become a signal of consumer preferences, which may not necessarily be heeded since producers are not concerned with profit or loss but with directives from above; the planner decides whether to take these signals into account.[4]

The act of production of material goods is separated from the act of consumption, but producers and consumers are both directly involved in the act of exchange. Therefore consumer preferences, as expressed in the act of purchase, are assumed to reflect productive possibilities. Yet this is not necessarily the case for other kinds of output. Collective goods—for example, state-provided health care or education—are purchased by the state and consumed by individuals. In other words, the act of purchase is socially or institutionally separate from the act of consumption. Collective goods have no price, or they have a price that is politically determined, such as a standard fee for a visit to the doctor. In a democratic system, preference for collective goods can be expressed, albeit slowly, through the political process; in totalitarian societies, that is much more difficult. In the case of armaments, the state is both purchaser and consumer, but, because wars are discontinuous, the act of consumption is separated from the act of purchase over time. In other words, the act of purchase is temporally separated from the act of consumption. The price of armaments is determined on the basis of cost-plus mark-up; it does not vary according to the utility of the weapon because there is no test of utility short of war. The only limit to price is the overall military budget, which is at once the sum of individual decisions about armaments and the reflection of the state's priorities. Similarly, all orders are delivered; shortages or overproduction are mistakes rather than signals of consumer preference. Only war provides a mechanism for reconciling the appropriate quantities of resources to a set of needs. Battle, said Clausewitz, can be compared to the act of

[3] Luigi L. Passinetti, *Structural Change and Economic Growth: A Theoretical Essay on the Dynamics of the Wealth of the Nations* (Cambridge: Cambridge University Press, 1981).
[4] Janos Kornai, *Growth, Shortage and Efficiency* (Oxford: Basil Blackwell, 1982).

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exchange. But war is discontinuous; therefore, some kind of proxy mechanism must be developed.

Before exploring this proxy mechanism, it is useful to specify two other general concepts. First, I shall use the concept of the *weapons system*, which was originally developed by the U.S. Air Force in the 1950s. The weapons system, at one level, is a piece of hardware. It consists of the delivery system—the delivery platform (an aircraft, missile launcher, tank, or ship) and the weapon (a munition, such as a bomb, warhead, or shell and its delivery means such as a gun, missile, torpedo, or rocket)—combined with the means of command and communication. It is also a technology, a body of interrelated knowledge, and a set of linked techniques, all needed to develop, produce, and operate the hardware. And it is a social organization of people and institutions who possess that knowledge and are responsible for the technology—scientists, engineers, workers, managers, soldiers, technicians, bureaucrats, etc. They possess their knowledge as members of the social organization and not as individuals.[5]

The second concept is that of *assimilation*. Military technology has to pass through the various phases of invention, innovation, integration, and eventually, obsolescence. At each stage, different constituencies are involved, such as laboratories, corporations, military units, or bureaucratic departments. The stages roughly correspond to appropriation categories in the military budget: invention is the stage of basic and applied research; innovation involves full-scale development and testing; and integration involves procurement, operation, and maintenance. Integration also involves the adaptation of prevailing military doctrine and contingent military organization toward the new technology. A military technology that has passed through the three stages of invention, innovation, and integration is fully assimilated. By and large, a weapons system is a fully assimilated military technology.[6]

In examining the process whereby one weapons system succeeds another, we thus look at the mechanism whereby demand and supply constituencies interact at each stage—the relations that characterize the social organization of the weapons system.

I. Demand

Explanations for weapons acquisition that focus on the external requirement for armaments—for instance, the Soviet threat—can be de-

[5] Mary Kaldor, *The Baroque Arsenal* (London: André Deutsch, 1982).

[6] Julian Perry Robinson, "Arms Control and the Assimilation of Chemical Weapons," *International Journal* (Toronto, Canadian Institute of International Affairs) 36 (Summer 1981), 515-34.

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scribed as demand theories. Supply theories or technology-push theories seek the main explanation for weapons acquisition in the web of domestic interests involved in the process of acquisition.[7] An important subset of supply theories consists of models of bureaucratic politics, in which the acquisition of weapons is explained in terms of the complex interplay of different armed services and government departments.[8]

Demand theories are primarily concerned with the *use* of armaments, as though there were no distinction between use and acquisition, as though requirements defined by some external situation could be immediately translated into resources through the agency of some "rational" decision maker. If, however, the act of purchase is separated in time from the *use* of the weapons, then the peacetime demand for weapons has to be assessed in terms of the situation of purchase as well as the potential or imagined situation of use. For this reason, I include bureaucratic-politics theories as part of the demand side of the model. The potential requirement for weapons as defined by the international situation can be said to be the *systemic aspect* of demand. How this is mediated by the perceptions of the armed services, various bureaucratic departments, and politicians represents the *institutional aspect* of demand.

A more complete analysis of systemic aspects of demand would require an assessment of theories of international conflict and the current global order as well as an analysis of the state and the way in which competing priorities are established. Some introductory remarks are relevant, however. It is worth noting that the imagined contingencies in which weapons might be used in the post-1945 era have remained relatively static. Of particular interest is the pervasiveness of the European contingency (and, to a lesser extent, the Pacific contingency) in American defense planning despite the fact that nearly all wars since 1945 have taken place outside of Europe. Is this merely an instance of bureaucratic conservatism, or does it reflect genuine concern about the situation of Europe?

My hypothesis would be that there exists a systemic interest in sustaining the significance of the European and Pacific contingencies. "Wars," says Raymond Aron, "still have in our time the function of precipitating the crystallisation of political entities."[9] By keeping the

[7] For an elaboration of this distinction, see Ray Curnow and others, "General and Complete Disarmament: A Systems Analytic Approach," *Futures* (October 1976), 384-96.

[8] Classic examples of bureaucratic politics theories include Graham T. Allison, *Essence of Decision: Explaining the Cuban Missile Crisis* (Boston: Little, Brown, 1971); Morton Halperin, *Bureaucratic Politics and Foreign Policy* (Washington: Brookings Institution, 1974); John D. Steinbruner, *The Cybernetic Theory of Decision: New Dimensions of Political Analysis* (Princeton: Princeton University Press, 1974).

[9] Aron, "War and Industrial Society: A Reappraisal," *Millenium. Journal of International Studies* 7 (Winter 1978/79), 195-210.

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memory of wars alive, the postwar political entities are preserved. In other words, the continued emphasis on the European and Pacific contingencies is a way of reminding enemies and allies of the political results of World War II. It suggests that the experience of World War II might be repeated, with a comparable set of victors. The persistence of naval doctrines based on the experience of Trafalgar in 19th-century British military planning might be explained in the same way. Of course, states that challenge the existing political entities might have an interest in alternative contingencies, and that is obviously the case in the third world. But the hegemonic military powers, who are the largest military spenders and who tend to dictate styles of arms procurement, have an inherent tendency to define and anticipate current contingencies based on past experience.[10] In other words, there may be systemic interests in a conservative set of military preferences.

Whether or not this hypothesis can be sustained, it is reinforced by bureaucratic politics. The overwhelming conservatism of military institutions, armed services, and bureaucratic departments is the theme of much of the bureaucratic-politics literature. Institutional resistance to major innovations such as the longbow, the breech-loading gun, the machine gun, the tank, the submarine, and the airplane has been extensively documented.[11] The old aphorism that generals always fight the last war now has a basis in organizations theory.

Conservatism can partly be explained by the uncertainties that exist in the absence of the test of war. Since it is only with hindsight that we can establish the significance of major innovations like those mentioned above, it is not surprising that military men cling to technologies that have been tested in war. Moreover, there is an organizational interest in conservatism. The technologies embodied in weapons systems entail particular forms of social organization. New technologies pose a risk for organizational survival.

Each military unit is associated with a certain military mission, and certain capabilities are required to carry out that mission. Coulam points

[10] I have explored this argument in "The Concept of Common Security," in Stockholm International Peace Research Institute (SIPRI), *Policies for Common Security* (London and Philadelphia: Taylor & Francis, 1985), 37-52.

[11] See, for example, Graham T. Allison and Frederick Morris, "Armaments and Arms Control: Exploring Determinants of Military Weapons," *Daedalus* 104 (Summer 1975); Bernard Brodie, "Technological Change, Strategic Doctrine, Political Outcomes," in Klaus Knorr, ed., *Historical Dimensions of National Security Problems* (Lawrence: University Press of Kansas, 1976); John Ellis, *The Social History of the Machine Gun* (New York: Pantheon Books, 1973); Barton C. Hacker, "Resistance to Innovation: The British Army and the Case Against Mechanization," *Actes du XIIIième Congrès International d'Histoire des Sciences* 2 (1974); Irving B. Holley, Jr., *Ideas and Weapons: Exploitation of the Aerial Weapon by the United States in World War II. A Study in the Relationship of Technical Advance, Military Doctrine and the Development of Weapons* (New Haven: Yale University Press, 1953).

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out that each of the armed services tends to have a set of "standard scenarios" in which these missions would be performed. One of these standard scenarios becomes the "dominant scenario" of the organization. The persistence of the deep interdiction role of the U.S. Air Force, or the emphasis on aircraft speed, which was thought to be so important in World War II, can thus be explained in terms of the way organizations subjectively define their tasks. In his case study of the F-111 aircraft, Coulam shows that McNamara, as Secretary of Defense, failed to question Air Force requirements that he had earlier opposed:

> When he assumed office anxious to expand limited war capabilities, McNamara was not presented with a wide range of options covering the whole variety of possible approaches to the tactical air mission. Instead, he received only two options; those of the Navy and of the Air Force. These options represented years of effort by each of the services and hundreds of agreements among interested parties within each service. They were not static, hypothetical abstractions. They were firmly on track, difficult to modify or to stop. They were powerful forces for persuasion, with a whole array of organizational resources behind them, generating enough information and heat to overwhelm the consideration of *imagined* alternatives lacking organizational sponsorship.[12]

The point here is that every alternative is an imagined one in a peacetime situation. It is therefore not surprising if institutionalized past experience plays a predominant role in shaping the imagination.

The dominant scenarios are, by and large, related to an imagined global war, which is derived from the World War II experience. That war was the last great test of military utility; it determines the present shape of military organization. Thus, both systemic and institutional factors would suggest a static demand function *between* wars. In other words, in contrast to economic consumer preferences, the weapons succession model in peacetime would assume a static set of consumer preferences.

It could be argued that one of the lessons of World War II was the importance of technical superiority. If the political results of that war are to be preserved, then the West (as a proxy for the Allies) must display a capability for winning a future equivalent of World War II at a more advanced level of technology. Likewise, the military organization, having learned the lesson of World War II, must incorporate technical change into its organizational routines. To some extent, that is the case. Janowitz refers to "trend innovation," whereby technical change is routinized

[12] Robert F. Coulam, "The Importance of the Beginning: Defense Doctrine and the Development of the F-111 Fighter-Bomber," *Public Policy* 23 (Winter 1975), 1-37, at 25 (emphasis added).

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within the organization.[13] Coulam's notion of "selective incrementalism" refers to the linear improvement of parameters, like aircraft speed, that are defined as important by the dominant scenario.

The emphasis on technical change is much less pronounced in the Soviet Union than in the West. Institutionally, the same tendencies for conservatism can be observed in the Soviet armed forces as in the Western armed forces, and the same interests in preserving the political results of World War II can be intuited. Many writers, however, have noted a much greater doctrinal emphasis on simplicity and quantity in the Soviet armed forces than in the West. This emphasis could be as much a lesson of World War II as is the emphasis on new technology. The mass production capabilities of the United States and the Soviet Union were probably, in the last analysis, the decisive factor in World War II. The fact that this emphasis has been retained in the Soviet Union but not in the West suggests that the difference has to be explained in terms of differences in the nature of supply institutions.

Bureaucratic-politics models are descriptive rather than explanatory, and the only thing they can predict is inertia—that the future will look much like the past. They cannot explain technological change. If we presuppose a competitive model in which each institution competes for its share of the budget, and in which its competitive strength is proportionate to its size (i.e., its past share of the budget), then we can expect institutional stability. Indeed, this kind of bureaucratic model, sometimes known as input-output conservatism, has been well documented for the Soviet Union.[14] Technological change would tend to threaten such conservatism. Most theorists do, of course, include advocacy of technical change as a determinant of bureaucratic competition, but this is not endogenous to the model. In effect, what these theorists are explaining is how bureaucratic politics mediates an impetus for technological change. Such an impetus could come from the political leadership (for demand reasons), or it might be prompted by other domestic institutions.

In other words, even if limited "evolutionary" technological change were to occur in the absence of other pressures for technical change, we could still conclude that major impulses for radical technical change must come *either* from supply-side factors *or* from wars. In other words, in peacetime, supply-side pressures explain the weapons succession process.

[13] Morris Janowitz, *The Professional Soldier* (New York: Free Press, 1960).
[14] Alec Nove, *The Soviet Economic System* (London: George Allen & Unwin, 1977).

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II. Supply Institutions

There are two types of supply institutions: those associated with the *invention* stage of the weapons succession process and those associated with the *innovation* stage. The former are primarily government, university, or private nonprofit laboratories. From these emerge new military technologies, some of which may be "revolutionary" in the sense that they challenge existing doctrine and organization. Such, for example, are the technologies that are now being developed from the sciences of the 1960s and 1970s, approximating nuclear weapons in their implications. Many of these technologies emerge from the defense laboratories, and sometimes acquire maverick constituencies within the armed forces. In general, however, they are likely to make slow progress through the institutions involved in innovation and integration; as in the case of earlier "revolutionary" technologies, their assimilation tends to be resisted.

At the innovation stage, it is necessary to categorize different institutions for development and production.[15] In the West, prime contractors generally undertake responsibility for development and production of complete weapons systems. Such enterprises are "sovereign": they are responsible for their own financial viability and are free to secure the necessary financial resources through obtaining contracts wherever possible. Sovereign enterprises are usually private companies, but some European nationalized companies, such as British Shipbuilders or *Aerospatiale* in France, are expected to behave as though they were sovereign.

Typically, however, Western prime contractors are also "dependent," in the sense that they depend on the military sector for the bulk of their contracts. In cases where contractors are financially diversified, it is more correct to say that their defense divisions, which are expected to be financially viable, are dependent. Sovereign and dependent enterprises must obtain continuous contracts to ensure capacity employment. This is particularly important with respect to research and development. In practice, production capacity fluctuates substantially; indeed, sales and employment fluctuation tends to be greater in the military sector than in other sectors. Research and development, on the other hand, tend to utilize more specialized equipment and more highly skilled workers than does production. Companies that depend on their technological capabilities in order to obtain contracts cannot afford to disband design teams. Hence, whereas military units may be preoccupied with continued

[15] See Mary Kaldor, "Military R & D: Cause or Consequence of the Arms Race?" *International Social Science Journal* 35 (No.1, 1983), 25-45.

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operation, the main supply enterprises are concerned with continuous *development* and, to a lesser extent, *production*.

In order to ensure continuous development, these enterprises must obtain new orders as soon as development of a particular weapons system is completed. Because the enterprise is dependent, the new orders are for new weapons systems. This is the process known as the follow-on imperative.[16] The effort to obtain follow-on orders involves intense competition between the main contractors. This competition takes on a technological rather than a price form: it is directed toward product rather than toward process improvement. Because the price is determined on the basis of cost-plus mark-up, a low price would reduce the total size of the market. Once the contract is awarded, the government has little choice but to go ahead with development regardless of cost; hence, perpetual cost overruns. That is why the companies compete by offering technological improvements that will appeal to their customers, the armed forces.

These improvements, however, are severely constrained by the organizational rigidities of the armed forces. New technologies can only get through the innovation and integration stages if they conform to the requirements of the dominant scenario. So long as they are directed toward improvement in the performance of missions that were established nearly 40 years ago and are currently defined through a set of performance characteristics or parameters (speed, payload, or protection) that have hardly changed, the technologies may be extremely radical in hardware terms—microprocessors, nuclear devices, directed energy, variable geometry aircraft, and so forth. I have termed this contradictory conservative but dynamic form of technological change "baroque."[17]

There are other types of supply institutions in the West. The arsenal system—the in-house army factories and navy shipyards—consists of enterprises that are dependent but not sovereign. The royal ordnance factories and royal dockyards in Britain and the *directions techniques* in France are similar types of enterprises. Their capacity is guaranteed by the state; excess capacity appears as a charge on the military budget. In contrast to sovereign enterprises, the arsenal system appears, historically, to be resistant to change and responsive to the conservatism of its customers. The perturbations caused to the arsenal system by war are vividly described in James Fallows's story of the M-16 disaster during the Vietnam War, when the traditional resistance of the "small-time, insular,

[16] The term was developed by James A. Kurth; see his "Why We Buy the Weapons We Do," *Foreign Policy* No. 11 (Summer 1973), 33-56.

[17] Kaldor (fn. 5).

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old-fashioned" arsenal system to a new rifle led to the development of the M-16, which jammed continually, and consequently cost many lives.[18]

A final type of military supply enterprise to be found in the West is both sovereign and independent. It consists of private companies that are not dependent on government orders to secure their financial viability: certain electronics companies in the United States, as well as electronics and engineering companies in Japan and West Germany. Some revolutionary technologies do appear to have emerged from this type of enterprise—for example, small missiles for use against aircraft, tanks, and ships; remotely piloted vehicles (RPVs); and cluster munitions. There have also been process improvements leading to cheaper, simpler types of aircraft and armored vehicles. This type of enterprise is more usual in nonhegemonic states such as West Germany and Japan, for reasons that can easily be deduced.

In the Soviet Union, research institutes, design bureaus, and production plants are organized as separate entities, although they all come under the responsibility of nine defense industry ministries, most of which were established in the late 1940s.[19] The research institutes that are attached to the central ministries compare with the various nonprofit laboratories in the West that are associated with the *invention* stage of the weapons succession process.

The Soviet design bureaus and production plants are associated with the *innovation* stage. The former enjoy varying degrees of autonomy, depending on the level of technology. For low-technology items such as tanks, artillery, and ships, the design bureaus are attached to the production plants. In aviation, they are relatively independent. And in the Ministry of General Machinery, which makes ballistic missiles, the design bureau appears to be attached to the research institute.

Neither the design bureaus nor the production plants are sovereign enterprises; their budgets are guaranteed by the state. In the case of the design bureaus, about 25 percent of capacity may fluctuate, depending on specific contracts. To some extent, therefore, competition between the design bureaus is significant. Moreover, successful designs which lead to production contracts can buy prestige, state prizes, and even monetary rewards. However, the possibilities for revolutionary designs

[18] James Fallows, "M-16: A Bureaucratic Horror Story," *Atlantic Monthly* 247 (June 1981), 56-66.

[19] The ministries are Aviation, Defense Industry, Shipbuilding, General Machinery, Medium Machinery, Radio, Electronics, Communications, and Machine-Building. For a detailed description, see David Holloway, "Innovation in the Defence Sector," in Ronald Amann and Julian Cooper, *Industrial Innovation in the Soviet Union* (New Haven and London: Yale University Press, 1982), 276-366.

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are severely constrained by the doctrinal emphasis of the armed forces on simplicity and quantity on the one hand, and by the conservatism of the production plants on the other.

In the production plants, civilian production is deliberately used to cushion military production. Excess capacity, if it exists, is a mistaken or a deliberate consequence of planning. The conservatism of both military and civilian production enterprises has been widely documented.[20] Technical change is resisted because it disrupts the fulfillment of quantitative planning indicators on which future budgets may depend, and disrupts established supply lines.

The consequence is what some writers have described as "evolutionary" or "conservative" technological change—technological change that is incremental *both* with respect to performance characteristics *and* with respect to productive technology. Whereas "baroque" technological change may disturb the social organization of producers and developers, conservative technological change preserves the overall social organization of the weapons systems.

One can explain the nature of peacetime technical change with respect to the character and possible changes in supply institutions as shown in the following matrix.

	SOVEREIGN	NON-SOVEREIGN
DEPENDENT	"Baroque"	Conservative
INDEPENDENT	Revolutionary	?

There are aspects of demand in the Soviet Union that might temper this conclusion, however. First, decisions about armaments are made at a much higher governmental level than in the West. Defense industry alumni have testified to the personal interest taken by Soviet leaders—especially Stalin and, later, Defense Minister Ustinov—in procurement decisions.[21] Second, because the state is ultimately the consumer, a much greater degree of consumer sovereignty exists in the military sector than in other sectors of Soviet society. Defense is a privileged sector, able to

[20] Nove (fn. 14); Arthur J. Alexander, "Decision-Making in Soviet Weapons Procurement," *Adelphi Papers No. 47 and 48* (London: International Institute for Strategic Studies, Winter 1978/79); Ronald Amann, Julian M. Cooper, and R. W. Davies, eds., *The Technological Level of Soviet Industry* (New Haven and London: Yale University Press, 1977).

[21] See the autobiography of one of the most famous aircraft designers, A. S. Yakovlov, *The Aim of a Lifetime* (Moscow: Progress Publishers, 1972). A similar point was made by

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cut through red tape, commandeer machinery and parts, and so forth; military representatives, known as *voyenpred*s, are located at production plants to prevent bottlenecks and ensure standards of quality. Consumer preferences, even if they are static, are thus transmitted to producers. Finally, there are instances in which the political leadership has used its role as a powerful consumer to introduce whole new technologies, representing entirely new social organizations—for example, the atomic bomb, the ICBM, and the air defense programs.

For this reason, defense is regarded as one of the few sectors in the Soviet Union in which radical technological change is possible. New technologies do not, by and large, disturb existing organizations; they are simply *additional* organizations. They derive neither from war nor—because Soviet institutions constrain indigenous innovation—from new internal discoveries. Rather, they are "learned" from the West and tend to introduce Western social organizations into the Soviet Union. Since they have been developed in the West through a process of baroque technical change, they introduce baroque organization into an otherwise conservative system.

Does the foregoing suggest that the Soviet Union is reacting to the West and that we are introducing some kind of action-reaction mechanism into the model? The question can, in part, be answered empirically. Whether the issue is military spending or numbers of men, it can be shown that the United States has consistently taken the lead—if that is how we assess baroque technical improvements—in military-technological change. But that alone is not satisfactory; we need to be able to deduce this conclusion from the model. There is no reason why the inward-looking, conservative nature of military institutions should not include some reaction mechanism—routinized reaction. In the absence of an autonomous impetus for technical change—stemming either from the forced exigencies of war or from the requirements of the supply institutions—the reaction is likely to be imitative or, insofar as the imitation departs from the original, molded by the evolutionary tendencies of Soviet institutions.

III. Systemic Supply Factors

The predominance of sovereign yet dependent arms companies in the West explains the supply-induced nature of military technical change. It is necessary to explain, however, the continued commitment of gov-

a leading radar designer, Anatol Fedoseev, "Design in Soviet Military R & D: The Case of Radar Research in Vacuum Electronics," mimeo., seminar given at Center for Russian Studies, Harvard University, March 1983.

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ernments to the survival of these institutions—what James Kurth calls the "bail-out imperative." In part, this explanation can be derived from our conclusions about demand. Given the persistence of certain dominant scenarios that are linked to missions and weapons systems, a commitment to particular manufacturers is an inevitable corollary. In other words, maintaining a capacity to fight certain kinds of wars implies that a capacity to develop and produce the weapons systems to fight those wars must also be maintained. Is there, then, any relevance to arguments that deal with the role of such companies in the wider economy?

Arms companies certainly make an important contribution to employment and output in both East and West. Between 40 and 50 of the companies included on the Pentagon's list of top prime contractors also appear on *Fortune Magazine*'s list of the top 100 companies in the United States. If it is possible to talk about an *industrial culture* within which economies and states develop, then these companies could be said to be among the institutions that have nurtured that culture. In the U.S., the prime contractors are the aircraft and automobile companies that came to prominence at the zenith of American development. In the Soviet Union, the military enterprises play an essential role in heavy industry. In Britain, arms companies can trace their lineage to 19th-century engineering and shipbuilding industries.

That these companies have a significance independent of perceived military requirements is suggested by the experience of the automobile companies in the United States in the early 1970s. Previously, the army had relied primarily on the arsenal system to supply its needs. The increasing dependence of automobile companies on army contracts was associated with an increased emphasis on baroque technical change in army equipment. (The M-1 tank is an example.) This dependence is primarily explained by the problems that automobile companies faced in civilian markets. The costly development of the army's anti-aircraft gun, *Divad*, for example, is reportedly based in part on the need to award the Ford Motor Company "a kind of defense build-up bail-out"[22]

The economic role of the arms companies adds a new twist to the concept of "waste" as it is widely used by arms-economy theorists.[23] According to the latter, military spending is appropriate for overcoming capitalist crises because it is a form of waste production. They define production as wasteful if it does not re-enter the economy as investment

[22] Gregg Easterbrook, "Divad," *Atlantic Monthly* 248 (October 1982), 29-39.

[23] See, for example, Paul Baran and Paul Sweezy, *Monopoly Capital* (London: Penguin Books, 1966); Michael Kidron, *Western Capitalism Since the War* (London: Weidenfeld and Nicholson, 1968); J. Griffin, M. Wallace and J. Devine, "The Political Economy of Military Spending: Evidence from the United States," *Cambridge Journal of Economics* (No. 6, 1982), 1-14.

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or consumer goods. Waste production can siphon off excess capacity without creating more capacity.

The analysis adopted for understanding the weapons succession process suggests another meaning to the concept of "waste." Production is wasteful in a situation where excessive resources are devoted to a particular purpose. This occurs in the armament sector in peacetime because, in the absence of war, there is no mechanism for reconciling resources to needs. Military spending is particularly appropriate for preserving particular companies, not because it does not re-enter the production process, but because, in the absence of war, there is no evident mechanism for limiting the size of military spending; there is no form of consumer saturation. Presumably, any form of spending that has the same characteristics—i.e., extremely limited periodic tests of utility—could perform the same function.

It is worth noting that defense-related civilian production—say, nuclear energy or space technology—has never been so successful as a way of employing excess capacity because, sooner or later, it has to be used. That is to say, judgments are made about whether the expenditure meets a particular need.

Two further points should be noted in this discussion of systemic supply factors. First, the economic interest in preserving particular companies is not necessarily incompatible with the military or political interest. Although it is outside the scope of the present analysis, one can argue that interest in preserving the global political order is linked to interest in preserving a particular industrial culture; hence, systemic demand-and-supply factors are closely connected. This argument applies both to capitalist and to centrally planned economies.

Second, this argument is about the role of particular companies or enterprises. The arms-economy theorists are concerned with the problem of excess capacity in the economy as a whole, although some variants of the arms-economy theory are associated with the task of preserving particular dominant sectors, i.e., monopoly capital.[24] An unanswered question, therefore, is the extent to which the preservation (or expansion) of particular companies is necessary for the functioning of capitalism as a whole. The analysis developed so far suggests a way in which we could approach this question. It is briefly discussed below.

IV. Demand versus Supply

Since, in peacetime, the act of purchasing weapons is separated from the act of consumption, there is no mechanism for assessing the appro-

[24] *Ibid.*

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priate quantity of resources required to fill potential military tasks. A static set of consumer preferences, established in previous wars, is combined with dynamic technological competition between suppliers of arms to produce "baroque" technological change.

Baroque technological change represents "improvements" to successive weapons systems which can pass through the phases of invention, innovation, and integration without disturbing the social organization of the users, although it can and does disturb the organization of developers and producers. The prime contractors remain stable, but the composition of subcontractors changes radically. Because baroque technical change is incremental with respect to performance, it preserves user organization, although it may be radical with respect to productive technology. This finding of "step-ladder" technical change, combining the dynamics of the armorers with "persistence of doctrines geared to earlier plateaux," has been observed in previous peacetime arms races.[25]

The cost of marginal improvements to a given set of performance characteristics tends to increase sharply beyond a certain performance level.[26] "Baroque" technology is characterized by soaring cost, increased technical complexity, and diminishing improvements in performance. Indeed, it is often argued—and apparently borne out by the experience of war—that the utility of "baroque" technology has actually declined because of complexity, unreliability, lack of durability, logistical problems, and vulnerability.[27]

In the Soviet Union, the prevailing form of technical change is "conservative." Conservative technical change is incremental with respect to both performance and production. A static set of consumer preferences is combined with a linear evolution in supplier capabilities. Technological change preserves both user and supplier organizations. A form of reaction does appear to introduce "baroque" tendencies into Soviet military technology, however.

"Revolutionary" technology challenges both "baroque" and "conservative" technology—the social organization of the users of weapons systems as well as the social organization of developers and producers. The wars in Vietnam and in the Middle East have, as it were, impelled some "revolutionary" technologies from the invention stage to the in-

[25] Christopher Harrie, "Technical Change and Military Power in Historical Perspective," in "New Conventional Weapons and East-West Security," Part 1, *Adelphi Paper No. 144* (London: International Institute for Strategic Studies, Spring 1982), 5-13.

[26] This tendency was originally noted by the German economist, Wolff, in 1912. See Christopher Freeman, John Clark, and Luc Soete, *Unemployment and Technical Innovation: A Study of Long Waves and Economic Development* (London: Frances Pinter, 1982).

[27] See, for example, Kaldor (fn. 5); Chuck Spinney, *Defense Facts of Life* (Washington, DC: Program Analysis and Evaluation Division, Department of Defense, 1980); James Fallows, *National Defense* (New York: Random House, 1981).

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novation stage, calling into question the utility of prevailing types of military technology. Examples are so-called "smart" weapons and area destruction weapons such as cluster munitions.[28] This finding parallels the conclusion in Freeman *et al.* for civilian technology systems: "Exogenous science and new technology tend to dominate in the early stages while demand tends to take over as the industry becomes established."[29] The prevailing military-industrial institutions do not, however, adapt to the impact of war any more rapidly now than in the past. The Vietnam War is not considered relevant to the European contingency. The Falklands War, although it seems to have demonstrated the vulnerability of modern warships, is used as a justification for aircraft carriers. The pace of assimilation is determined by the intensity and duration of war on the one hand, and by the entrenched rigidities of prevailing military-industrial institutions on the other. In broader, more systemic terms, we can say that the pace of assimilation is determined by the extent to which war can challenge the prevailing global order and industrial culture in which the military-industrial institutions are embedded.

V. The Weapons Succession Process and Its Implications for Theories of Economic Development

In this approach to understanding military-technological change, I have treated the weapons succession process as an economic system with its own particular mechanism for reconciling resources to needs, and I have made use of recent work on theories of bureaucratic politics in order to elucidate that mechanism. Could this same approach be used to study the economic system as a whole? And what would be the implications of introducing subsystems, with different mechanisms for reconciling resources with needs, into the system as a whole?

In any industrial society, economic growth depends on technical change, which proceeds through a constantly varying composition of products, due both to changing consumer preferences and changing productive processes. According to Passinetti,

> The very nature of the process of structural growth—i.e. of consumers' preferences and of producers' organisational requirements—*imposes periodically* on the economic system, both on the part of consumers and on the part of producers, the necessity of *speeding up the rate of learning* if unemployment is to be avoided.[30]

[28] Julian P. Perry Robinson, "Qualitative Trends in Conventional Munitions: The Vietnam War and After," in Mary Kaldor and Asbjörn Eide, eds., *The World Military Order: The Impact of Military Technology on the Third World* (London: Macmillan, 1979), 64-109.

[29] Freeman (fn. 26).

[30] Passinetti (fn. 3), 235 (emphasis in original).

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In other words, every industrial society is likely to be characterized by a mismatch between consumer preferences and productive requirements, which can manifest itself in recurrent pauses or waves, depressions or booms. What varies is the mechanism for what Passinetti calls "learning." It is in this context that the analytical approach to the weapons succession process could prove useful.

Under capitalism, the market is the mechanism for reconciling resources with needs, or productive possibilities with consumer preferences. In a market system, workers are continually dismissed because, at a certain stage in the development of a particular product, the growth of productivity outstrips the growth of demand. This is either because of consumer saturation (according to Engels' Law, as income grows, demand shifts from one product to another), or it is because of labor-saving innovations. If mass unemployment is to be avoided, new products and production processes have to be generated perpetually. Passinetti points out that, were it not for certain stabilizing factors—such as the changing age structure of the working population, or multi-product firms—the number of firms, on average, that are dismissing workers would be no less than half the total. In addition, the dismissal of workers tends to create a downward spiral of demand.

In wartime, the exigencies of war impel the development of "revolutionary" military technologies that could help to overcome institutional barriers to "learning," both for capitalist and centrally planned economies. Evidence shows that many basic innovations stem from war-time experience. The concern of this essay, however, is with the weapons succession process in peacetime.

Here we have a situation in which relative consumer preferences for a certain group of products—armaments—are frozen. Moreover, because of the way in which price is determined, there is no pressure for the kind of process innovation that might lead to the dismissal of workers. On the one hand, this sector obviously has a stabilizing effect, preventing unemployment that might otherwise occur. On the other hand, its continued existence slows down the rate of learning. It represents a distortion in the capitalist economy. Pricing by the method of cost accounting instead of profit attracts resources to industries that would otherwise have declined. Indeed, the effort to create more product improvement within a given technology system involves a disproportionate quantity of scientific and technological resources. This implies that there is no *a priori* way in which a state can use military production to spend itself out of a crisis. It depends on the *nature* of public spending. Military spending based on revolutionary military technology propelled forward by war may be able to speed up learning. Military spending

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based on "baroque" technology can create jobs; but at the same time, it may also inhibit the possibility for generating new jobs in the civilian sector. Future research could explore the link between styles of military technology and economic cycles.

In a centrally planned economy, employment is guaranteed. In the absence of democracy, however, such a system has no mechanism for responding to consumer preferences: the planner may or may not respond to signals such as shortages or unsold goods. The only sectors that are responsive to consumer preferences are those sectors in which the state is the consumer. The most obvious and important of these is the military sector. But if military consumer preferences are changed only by war, we reach a somewhat dramatic conclusion: namely, that war is the only mechanism through which technical change can be introduced into the system. There is, in fact, plenty of evidence to suggest that rearmament and war have played a crucial role in Soviet economic development.[31] The reaction mechanism described above may be a proxy for war; but if the foregoing analysis is correct, it may actually slow down technological change.

The analysis can be pursued by assessing alternative *institutional* mechanisms that could be adopted for economic or arms limitations policies. In the classification of supply institutions, I distinguished between sovereign and non-sovereign institutions, and between dependent and independent institutions. Is there a fourth category, that of *non-sovereign, independent* institutions? Is it possible to conceive of enterprises whose budget and employment are guaranteed by the state, but which are responsive to non-governmental consumer preferences? Such institutions would be designed to be flexible and responsive to change without involving the brutality of the market mechanism.

Summary and Conclusion

This analysis of the weapons succession process began with the concept of a weapons system that combines the technology of development, production, and use of particular families of hardware. Technology has been defined as a body of knowledge possessed by individuals by virtue of their membership in particular social organizations. The weapons

[31] See, for example, David Holloway, *The Soviet Union and the Arms Race* (New Haven and London: Yale University Press, 1983); Julian Cooper, "Defense Production and the Soviet Economy 1929-41," *Soviet Industrialisation Project Series, No.3, CREES Discussion Papers* (Birmingham, U.K.: Centre for Russian and East European Studies, University of Birmingham, 1977).

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succession process thus can be understood or explained in terms of a set of social organizations that are concerned with the supply of and demand for weapons, how they relate to each other, and how they compete and cooperate to produce technological change.

I have argued that, in the acquisition of weapons, the mechanism for reconciling demand with supply is war. In the absence of war, a proxy mechanism is developed in which consumer preferences are defined subjectively by the institutions of demand, while supply possibilities emerge from the operational requirements of the supply institutions. The interests of both demand and supply institutions are, moreover, shaped by their wider systemic roles.

At the present historical conjuncture, demand institutions are extremely stable, leading to inherent conservatism in the acquisition of weapons. Supply institutions are not so stable, however; the requirements vary according to their nature. In describing three different types of supply institutions, I have shown that they generate different types of dynamic impulse for technological change. In the West, the predominant large private corporation, dependent on government orders, creates an "industrial imperative" for rapid product improvement. In the East, the supply institutions are fundamentally bureaucratic organizations with the same inertial tendencies that are characteristic of demand institutions; therefore, there is not the same pressure for technological change.

The contradictory combination of stable consumer preferences and dynamic production imperatives may be characterized as "baroque" technological change. Ultimately, such technological change challenges the stability of demand institutions and their role in the wider global system; it also challenges the continuity of supply institutions themselves. One set of implications includes the growing frequency of limited wars and the emergence of new types of supply institutions, especially in such countries as West Germany and Japan, which are capable of developing "revolutionary" technology in response to radical changes in demand brought about through war. The new countervailing pressures for arms limitation and appropriate institutional changes are an alternative set of implications. Future research needs to focus on the tension between various aspects of the weapons succession process and the ways in which these tensions could be relieved through arms limitation policies.

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Review Articles

THE POLITICAL ECONOMY OF INDUSTRIAL GROWTH IN INDIA

By MYRON WEINER

Pranab Bardhan, *The Political Economy of Development in India*. Oxford: Basil Blackwell, 1984, 118 pp.
Isher Judge Ahluwalia, *Industrial Growth in India: Stagnation since the Mid-Sixties*. Delhi: Oxford University Press, 1985, 235 pp.

WHY has industrial growth decelerated in India since the mid-1960s? Is it the result of a resource constraint, leading us to look at policies affecting savings and taxation? The result of a demand constraint, leading us to look at income distribution policies? Or the misallocation of resources, leading us to look at the politics of allocation and regulation? Has India suffered from too much bureaucratic control rather than profiting from the allocative efficiencies of the market? Or has there been too little public investment?

For the past several years, there has been a debate over these questions among Indian economists. The debate began during Prime Minister Indira Gandhi's last years in office as she quietly initiated a process of economic liberalization. But with Rajiv Gandhi as prime minister, the issue of industrial policy has moved to the center of the political stage. Through his speeches, his appointment of liberal economic advisors, and the announcement of a new budget by a liberal finance minister, the prime minister in effect declared that his government is committed to making the economy more competitive both internally and internationally, that many bureaucratic controls are to be replaced by market processes, and that more productive and efficient economic behavior will be stimulated through tax policies. Are these the right policies for accelerating industrial growth? And if so, are they politically feasible? If the previous policies were not working, why were they retained for so long, what were their political as well as economic consequences, and what are the likely constraints and consequences for the alternative policies proposed by Rajiv Gandhi's government? These are the issues raised in the books under review; they lead us to consider some of the fundamental questions concerning the political economy of development in India.

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I

The major economic facts are not in dispute. From 1956 to 1966, India's annual growth rate in manufacturing was 7 percent. From 1966 to 1982, it declined to 5 percent. The overall economic growth rate has been 3.5 percent per year. It is impressive when compared with India's near-stagnant economy during the 50 years prior to Independence. It is impressive, too, when compared with the growth rates of most European countries in the 19th century. If the economic growth rate has not led to as significant an increase in the well-being of most Indians as of Europeans, it is because the higher population growth rate has meant a smaller increase in per capita income. With a 2.2 percent population growth rate, per capita income has increased at a mere 1.3 percent per year—too little to have a significant impact on the level of poverty. It should be noted that, had the economic growth rate been slightly higher (say about 5 percent per year), per capita income would have increased at twice the rate.

When one looks at a number of other developing countries, India's record is a poor one. The country's industrial growth lags far behind that of South Korea, Taiwan, Mexico, Brazil, Indonesia, Malaysia, and Egypt, whose industrial growth rates ranged from 7 percent to 14 percent per year in the 1970s. In India, the share of the gross domestic product (GDP) derived from industry increased from 20 percent to only 26 percent between 1960 and 1982. By contrast, it increased from 20 percent to 39 percent in South Korea, from 14 percent to 39 percent in Indonesia, from 29 percent to 38 percent in Mexico, from 21 percent to 31 percent in Turkey, and from 24 percent to 34 percent in Egypt. In 1950, South Korea had a per capita income of $146. Taiwan at $224, and Brazil at $373, were better off than South Korea or India, but not by a great deal. Had India's GDP grown as rapidly from 1960 to 1980 as South Korea's, it would stand at $531 billion today rather than $150 billion—surpassing that of the U.K., equal to that of France, and more than twice that of China. India's per capita income would have been $740 instead of $260; even with the benefits of growth inequitably distributed, it is not unreasonable to believe that most of the poor would have been substantially better off. India's standing in the world economy and as a world power would be quite different—especially, to pursue this imaginary projection, if India's share of world trade had grown in the same proportion as that of Korea. Instead, India's exports in 1983 were $9.7 billion, as compared with South Korea's $24.4 billion, China's $22.2 billion, Hong Kong's $21.9 billion, and Singapore's $21.8 billion; they were slightly below Yugoslavia's $9.9 billion.

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India has many of the preconditions that are widely regarded as facilitating rapid industrial growth. Savings and investments have increased. Oil price rises notwithstanding, India has not had a major balance-of-payments problem, in part because of remittances sent by its overseas migrants. Nor does India have the debt problems that beset many of the countries of Latin America. Natural resources—especially coal, iron ore, and water—are available in abundance. And the country has a large reserve of skilled manpower, including engineers and managers.

Moreover, India has at least two requisites for effective policy making and implementation: a well-developed civil service and a stable government. Jawaharlal Nehru was prime minister for 17 years, Indira Gandhi for 15. There have been religious, linguistic, and caste conflicts, but they were episodic and generally confined to limited regions of the country. Moreover, for almost all of the time Mrs. Gandhi was prime minister—from 1966 to 1977 and again from 1980 until her assassination in October 1984—she had a solid majority of parliament and was therefore free to pursue an industrial policy of her own choosing.

II

What went wrong, then, with industrial policy? Pranab Bardhan, in his slim volume originally prepared as a series of lectures delivered at All Soul's College, Oxford, argues that the problem has been a decline in public investment—the consequence, he believes, of constraints imposed on the state by India's dominant proprietary classes. Bardhan thus offers a neo-Marxist interpretation, but not until he dismisses a number of alternative Marxist (and non-Marxist) explanations.

Advocates of dependency theory will find no support for their position in Bardhan's analysis. India's deceleration in industrial growth can hardly be the result of a decline in foreign demand and the worldwide recession since, as Bardhan notes, India has had a relatively closed economy. Trade as a proportion of national income is quite small, and India's share of exports in world trade has actually declined over the past three decades. Moreover, many of the countries with the most rapid industrial growth are in fact those with an increasing share of world trade.

Nor are the multinationals the villains; Bardhan points out that multinationals are insignificant in India. Of the top 25 industrial firms, only 4 are foreign: the Indian Tobacco Company, Hindustan Lever, Dunlop India, and Ashok Leyland; none of these are in the top 10. (Union

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Carbide is not among the top 25.) Plantations and mines, once foreign-owned, have been sold to Indian businessmen or nationalized. Government licensing policies and regulations on foreign share holdings have discouraged foreign investors, and new foreign private direct investment has been minimal.

Bardhan also persuasively dismisses the argument that income inequalities are a constraint on the growth of demand, especially for consumer goods. Elsewhere in the third world, he writes, income inequality has often induced faster economic growth. Besides,

> if the rich get richer at a sufficiently rapid rate and spend their booming income on "luxury" consumption and reinvest their profits, industrial growth may not be broad-based or wholesome, but it can be fast (p. 20).

He does suggest, however, that the country's slow per capita agricultural growth rate has had a dampening effect on the demand for consumer goods; but that is only a partial explanation of the deceleration of industrial growth.

Nor is the savings rate an explanation. India's gross domestic savings as a percentage of the gross domestic product was over 22 percent in the early eighties, about equal to that of middle- and even some high-income countries, and significantly higher than the 15 percent it had been in the mid-sixties. But Bardhan notes that the high savings rate has not led to a high growth rate partly because capital-output ratios are rising. Productivity on investment has declined in almost all industries, notably in state-controlled industries such as electricity generation, steel, and transport equipment.

According to Bardhan, the rise in capital-output ratios is particularly prominent in the public-sector industries; their performance has had a devastating impact on the economy as a whole.

> There is no question that over the last three decades the state has accumulated power of direct ownership and control in the economy to an extent unparalleled in Indian history, both in the spheres of circulation (banking, credit, transport, distribution and foreign trade) and of production—directly manufacturing much of basic and capital goods, owning more than 60 per cent of all productive capital in the industrial sector, running eight of the top ten industrial units in the country, directly employing two-thirds of all workers in the organized sector, holding through nationalized financial institutions more than 25 percent of paid-up capital of joint-stock companies in the private sector, and regulating patterns of private investment down to industrial product level and choice of technology (p. 38).

Bardhan goes on to point out that the public sector has failed to

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generate a surplus for investment. Thirty public-sector units of the central government have recorded losses for ten consecutive years, and the State Electricity Boards and State Road Transport Corporations have lost billions of rupees each year. Public financial institutions have used their resources to take over "sick" firms, bailing out unsuccessful private companies at public expense even when these sick firms have little prospect of becoming viable. The share of non-development expenditures in the government's budget has also been growing, while the real earnings of central government employees have increased at an annual rate that is two-and-a-half times that of the per capita income of the country. In short, the government has been "consuming" resources that might otherwise go to public investment.

So, concludes Bardhan, the growth deceleration is the result of a deceleration in public investment.

> Fixed capital formation in the public sector ... grew at the annual rate of 11.3 per cent in the period of 1950-51 to 1965-66, but in the second period of 1966-67 to 1981-82 it dropped to a rate which is less than half, 5.5 per cent (p. 23).

The cutbacks were in power generation and in transportation, with major consequences for industrial growth, since shortages in infrastructural sectors have a cumulative impact. Thus, Bardhan's argument is that the state has a stranglehold on the industrial sector, and that the public sector has not been efficiently run; nonetheless, the cutbacks in this sector are the primary reason for the deceleration.

The author's prescription consists of more resources for the public sector. "Massive doses of public investment in basic industries and infrastructural facilities and public credit," he writes, "are crucial at the early stages of industrial and agricultural transformation." Why is public investment inadequate? His answer is that "pressures from heterogeneous elements in the dominant coalition for budgetary subsidies fritter away much of the investible public surplus. This is a kind of 'fiscal crisis' ... blocking the necessary accumulation function of the state" (p. 68).

Bardhan's critics agree with him on two points: first, the public sector has been mismanaged and, as a consequence of subsidies and protection, much of the private sector has also been inefficient; second, public-sector investment in such critical areas as railway rolling stock and power generation has declined, to the detriment of the economy as a whole. Beyond that, there is disagreement. On Bardhan's left are those who, like the eminent Indian economist Sukhamoy Chakravarty, not only argue that there should be a larger volume of public investment, but

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that there has been inadequate aggregate demand, which needs to be remedied through better income distribution policies.[1] Two eminent liberal scholars, T. N. Srinivasan and Jagdish Bhagwati, agree that the decline in infrastructure investments has been a problem, but they point to inefficiencies in the use of resources as the central issue.[2] Both are particularly critical of India's import substitution policies and what they describe as "export pessimism."

In her well-researched study of industrial growth since the mid-sixties, Isher Judge Ahluwalia challenges Bardhan's analysis. Ahluwalia, currently a research professor at the Centre for Policy Research in New Delhi, has presented her findings at various workshops in India and, in the fall of 1983, at a meeting at M.I.T. sponsored by the Joint Committee on South Asia of the Social Science Research Council and the American Council of Learned Societies. At that meeting, Ahluwalia presented an alternative diagnosis to Bardhan's. A report of the meeting, and of the debate between Bardhan and Ahluwalia, appeared at a time when the new prime minister had reopened the question of industrial policy;[3] as a result, still further discussions took place among Indian economists.

Ahluwalia agrees with Bardhan that the "under-investment in the infrastructure sectors was associated with evidence of growing inefficiency in these sectors" (p. 169). These inefficiencies include cost overruns on power projects and mismanagement in the supply of coal to power stations (all in the public sector). She points to government decisions to grant licenses for "infant industries" without regard for cost and quality considerations; more generally, she draws attention to policies which led to the development of an industrial environment that discouraged competition and provided no incentives for reducing costs or improving quality and raising efficiency. She rejects the argument that a worsening distribution of incomes adversely affected industrial growth, on the grounds that the primary decline in industry was in the heavy industries sector rather than in consumer goods. And, after reviewing the data on

[1] Chakravarty, "Aspects of India's Development Strategy for the 1980s," *Economic and Political Weekly* 19 (May 19-26, 1984), 845-52. Professor Chakravarty chaired an economic advisory panel to Indira Gandhi. The demand constraint position is advocated by K. N. Raj, P. Patnaik, D. Nayyar, and, among American economists, Lance Taylor.

[2] Jagdish N. Bhagwati and T. N. Srinivasan, "Indian Development Strategy: Some Comments," *Economic and Political Weekly* 19 (November 24, 1984), 2006-08. See also Jagdish N. Bhagwati and Padma Desai, *India: Planning for Industrialization* (London: Oxford University Press, 1970); Jagdish N. Bhagwati and T. N. Srinivasan, *Foreign Trade Regime and Economic Development: India* (New York: Columbia University Press, 1975); and Jagdish N. Bhagwati, "Is India's Economic Miracle at Hand?" *New York Times*, June 9, 1985.

[3] For a report on the S.S.R.C. conference, see Ashutosh Varshney, "Political Economy of Slow Industrial Growth in India," *Economic and Political Weekly* 19 (September 1, 1984), 1511-17.

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the performance of heavy industries, she reports that factor productivity was already falling before the mid-sixties. The central problem is thus not underinvestment, Ahluwalia concludes, but the inefficient use of resources. Her prescription, in contrast with Bardhan's, is for a new industrial policy framework, including domestic industrial policies as well as trade policies. Ahluwalia does not spell out what a new industrial policy would entail—one wishes she had—but it is clear from her diagnosis that she believes that import substitution should be phased out. With few exceptions (transportation and power) she considers further expansion of public investment in the public sector to be undesirable—partly because of the poor capital/output ratios in the public sector and partly because public-sector investment may crowd out more efficient private investment.

III

Who is right? How do those of us who are not economists draw a conclusion? The disagreements, it should be noted, focus more on prescription than on diagnosis: Bardhan and his associates would increase public investment and improve public-sector management; Ahluwalia and others would do more to liberalize the economy and make greater use of the market. These differences are hardly new; they demonstrate that India's economists are no less divided on these matters than other academics and politicians. The debate will not be resolved by more research on the determinants of capital-output ratios; it will be resolved in the future, as it has been in the past, by political considerations, and it is these that require our attention.

Both camps agree that there has been a great deal of misallocation and inefficient use of resources in India. Indeed, the misuse of resources has become a more important political economy question for slow-growing, developing countries than the older question of how to accumulate a surplus for investment—what Marxists like to call the "primitive accumulation of capital." For an explanation of these inefficiencies, Bardhan turns to an analysis of the structure of the country's governing class. India, he says, is governed by three "proprietary" classes: industrial capitalists, rich farmers, and professional bureaucrats. The industrial capitalist class has benefited from the government's import substitution policies, the industrial licensing system, the policy of taking over sick firms, and restrictions on foreign investment. Rich farmers have benefited from the government's price support program and from subsidized inputs (water, power, fertilizers, diesel fuel) and subsidized credit. And

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the bureaucrats have gained in political power and income through their control over what has become an elaborate system of patronage. Although these classes have some competing interests (the private sector, for example, resents many of the bureaucratic controls, and rural and urban groups clash over prices of agricultural produce), all three welcome state subsidies. In short, public investment in India has declined because the proprietary classes have expropriated resources in the form of subsidies. From this political analysis, Bardhan draws the conclusion that "in the context of economic growth it is ... the capacity of the system to insulate economic management from political processes of distributive demands, rent-seeking and patronage dispersement that makes the crucial difference" (p. 72). While not arguing for the South Korean model, he explains the success of the Korean economy: "more important than the discipline of the market mechanism has been the ability of the system in the last two decades to largely insulate the framework of economic policy-making and implementation from the clientelist demands of the political process" (p. 72). Bardhan thus sees democratic politics, not industrial policy, as the problem. He considers mismanagement of the economy to be the result of inter-elite accommodation, while Ahluwalia argues that the problem lies in the inefficient use of resources as a result of insulation from market forces.

But is it, to use Bardhan's terminology, the "dominant proprietary classes" that have impeded the adoption of an alternative industrial strategy?

India's industrial policies are hardly unique. There are a number of countries that have pursued an import substitution policy, maintained an inefficient public sector, developed a system of government allocation of licenses in accordance with plan priorities and targets that proved to be inefficient, created a system of controls and high marginal tax rates that produced a growing underground economy,[4] and subsidized inefficient producers—that have, in short, sought to eliminate both competition within the economy and competition by their producers in the global market place. In recent years, socialist Yugoslavia, Hungary and Czechoslovakia, and the People's Republic of China have attempted to revamp their economic systems to make more effective use of market

[4] The existence of a large, unreported black economy means, of course, that much of the country's increased industrial production is not included in the growth rate. The deceleration thesis would be partially undermined if there had been an acceleration of growth in the black economy during the past 15 years, but there is no evidence one way or another. It would be only *partially* undermined, that is, since the evidence on the poor performance of the public sector and the worsening of the capital output ratio is not disputed. If India's national income is significantly higher than the official estimate, however, the savings rate as a proportion of national income (estimated at 22%) may be overestimated.

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mechanisms as a means of providing incentives for producers and creating more efficient means of allocating resources. Several non-Communist countries—South Korea, Taiwan, and Brazil—have gone through painful transitions from import substitution to export-oriented policies, from policies intended to protect producers from competition to policies aimed at enabling firms to compete in both domestic and world markets.

Bardhan's use of a class analysis of politics and public policy leads him to focus on interests rather than on ideology, and to ignore the question of how and why India chose its industrial strategy. The present policies have their roots in the socialist ideologies of Jawaharlal Nehru and were further developed by Indira Gandhi. The foundations of the public sector, of state regulation of the private sector, and of import substitution policies were laid in the mid-fifties. Indeed, Nehru and his economic advisors wanted to pursue a socialist strategy in agriculture as well; they advocated "cooperative" joint farming, with the village as the unit of production. But their proposals, embodied in the famous 1959 Nagpur Congress resolution on agrarian organization, were defeated by supporters of peasant farming. In the mid-sixties, a new agricultural strategy was adopted; it involved increased public investment in irrigation and fertilizers, the development and use of new high-yielding varieties of wheat, and an agricultural price policy intended to provide incentives to farmers for investing in agricultural inputs. The new policy represented a major defeat for the socialists who had called for asset redistribution, either by giving "land to the tiller," or through collectivization, Chinese-style. The aim of the socialists to restructure India's rural society was not realized primarily because India preserved an open, participant political system that enabled the peasant proprietor classes to resist both asset redistribution and collectivization.

The socialists were more successful in getting their industrial policies approved.[5] Their goal of expanding state control of the means of industrial production, either through public ownership or public control, was attained partly because they had the support of the middle classes,

[5] The major legislative milestones in industrialization policy in India were: (1) the Industries (Development and Regulation) Act of 1951, with provisions for industrial licensing for producing any new product (the act has been amended frequently to increase the regulatory authority of the government); (2) the Industrial Policy Resolution approved by Parliament in 1956, categorizing industrial sectors reserved for the state, those in which the private sector would also be permitted, and the remainder that would be left to the private sector; (3) the Monopolies and Restrictive Trade Practices (MRTP) Act of 1969, enabling the government to place restrictions on new licenses for larger industrial houses; and (4) the Foreign Exchange Regulation Act (FERA), passed in 1973 to further regulate foreign investment. For a useful history of industrial policy, see S. S. Marathe, *Industrial Policy in India—Retrospect and Prospect* (New Delhi: Centre for Policy Research, 1984).

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and partly because the state bureaucracy proved to be one of their major allies. Mrs. Gandhi reversed her father's agricultural policies, but she moved further to the left on industrial policy. Under her regime, the Monopoly and Restrictive Trade Practices Act was passed, sharply limiting the capacity of larger firms to expand. She nationalized banks, insurance, and the coal industry. Pressed by Mohan Kumaramangalam (a former member of the Communist Party of India, a friend during her school days in London, and one of her closest advisors in the early seventies), Mrs. Gandhi introduced the 25th Amendment to the Constitution, limiting the fundamental rights provisions particularly as they affected property rights. The target, declared Kumaramangalam, was the "big monopolies," which needed to be nationalized.

Also missing from Bardhan's analysis is any recognition of the alliance that subsequently developed between the socialists and certain sections of the bureaucracy. Some of the highest bureaucrats in the government—officials like P. N. Haksar, who headed the prime minister's secretariat, and D. P. Dhar in the Planning Commission—were sympathetic to the left position; even some "conservative" bureaucrats welcomed the expansion of government control, and hence of their own power, over the private sector.[6] India's socialists have never acknowledged their close ties to the bureaucracy—officially they are as critical as is Bardhan of the "rent-seeking" proclivities of bureaucrats—but the fact is that important sections of the bureaucracy promoted nationalization, the expansion of the public sector, and licensing.

Bardhan pays too little attention to the role of the politicians in shaping industrial policy. Although party politicians, especially those from rural constituencies, had good political reasons to oppose cooperative joint farming, they clearly had much to gain from a system in which resources for development were allocated by the state, and where the business community had to turn to the bureaucracy for licenses. Patronage is the heart of Congress politics, and controls are the heart of the patronage system. Moreover, in 1969 Mrs. Gandhi moved leftward as part of her campaign to discredit politically her more conservative opponents in the

[6] Remarkably little has been written about the impact of the bureaucracy on the formation of industrial or agricultural policies. A partial exception is Francine R. Frankel, *India's Political Economy, 1947-1977* (Princeton: Princeton University Press, 1978). Among the important members of the civil service who influenced industrial policy under Prime Ministers Nehru and Indira Gandhi were S. Bhoothalingam in finance and steel; C. D. Deshmukh in planning; H.V.R. Iyenger in commerce, industry, and the reserve bank; S. Jagannathan in economic affairs; L. K. Jha (currently an advisor to Prime Minister Rajiv Gandhi), also in economic affairs; S. S. Khere in steel and mines; K. B. Lal in trade; P. C. Mahalanobis in planning; B. K. Nehru in economic affairs; I. G. Patel in finance; and Vishnu Sahay and Tarlok Singh in planning.

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Congress Party and to mobilize popular support. The story is too well known to need recounting here. It is worth noting, though, that when Mrs. Gandhi and her supporters launched their attacks against "monopoly capitalism" in the late sixties, they also introduced legislation that prohibited contributions by companies to political parties. These restrictions enabled Congress Party politicians to extract illegal payments from the business community in return for "facilitating" licenses, subsidies, and countless other benefits from the government. Thus, a symbiotic relationship developed among party politicians, bureaucrats, and businessmen that was made possible by socialist policies. Ironically, this coalition is now a target of socialist critics.

In short, the industrial strategy adopted by the government not only affected the performance of the economy, but created economic and political groups with interests in the preservation of these policies. One can go even further and say that many of the least attractive features of Indian political life, including the growing corruption among bureaucrats and politicians, and the criminalization of politics, are the consequences of industrial policies. An important *political* argument for deregulation, liberalization, and ending many of the subsidies and tariffs is that these controls have nurtured corruption and crime among businessmen, bureaucrats, and politicians. Indeed, one of the strongest reasons for a new industrial policy is not only that it is necessary to unshackle the economy, but that it would help to liberalize and decriminalize politics and administration.

The speed with which Prime Minister Rajiv Gandhi has moved toward economic liberalization has come as a surprise. His background as a pilot, his close association with school friends who have been managers in multinational corporations, his personal fascination with computers, and the fact that he was not brought up in the socialist intellectual milieu that shaped the youth of both his mother and grandfather are all important elements in his personal outlook.[7]

In the past, a major constraint on changing industrial policy has been the mindset of the political elite. Many Indians argued—and still argue—that, if socialist policies have failed, it is not because the policies them-

[7] Rajiv Gandhi may also be influenced by the evident impact of liberalization in increasing industrial growth during the last two years in which Indira Gandhi was prime minister. When, for example, the government partially decontrolled the cement industry in 1982—previously it was required to sell its output to the government at an administered price—production increased by 21% within a year. For an account of the liberalization policies during the last years of Mrs. Gandhi's government, and of the initial changes proposed by Rajiv Gandhi, see Paul Sillitoe, "Rajiv's Reformation," *Far Eastern Economic Review*, January 17, 1985, pp. 50-51, and P. G. Mathai, "Towards Liberalization," *India Today*, November 15, 1984, pp. 88-89.

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selves were inadequate, but that their proper implementation has been undermined because individuals are behaving corruptly. They do not perceive the emergence of a parallel economy, patronage by politicians, and venality of bureaucrats as the result of government policies that induce people to behave in this manner, but rather as an indication of the failure of businessmen, politicians, and bureaucrats to behave properly. The notion that institutions and policies can shape behavior is not widely held. Many intellectuals in India are critical of the growing corruption of the state and its bureaucratic inefficiencies while at the same time continuing to support Nehru's concept of industrial policy within a socialist framework; they fail to recognize how one shapes the other. They think that socialism can be made to work if, in Bardhan's words, the state can be "politically insulated" from conflicting interests.

To those on the left, the public sector has been ideologically sacrosanct. They believe that public-sector firms could be made to operate more efficiently if they had better managers, rather than that they are inefficient because they have monopolistic control over markets and are protected against price competition. Also sacrosanct to many is the notion that only socialism can provide for a more equitable distribution of wealth, while capitalism (by definition) means a worsening of income distribution. Moreover, competition itself is seen as wasteful and inegalitarian in outcome, destructive of the ideal social order in which each social group acts in accordance with prescribed and ordained norms of conduct. Nehru, for example, chastised industrialists for their belief in the "profit motive of an acquisitive society."[8] In the West, competition presumes a social order in which "all men are created equal," thereby facilitating policies that remove barriers to inequality so that individuals can seek to maximize their potential in competition with others. But in a social order that presupposes inherent inequalities, it is assumed that equality among individuals and groups can best be achieved, not through the removal of barriers to free competition, but rather through state intervention to regulate the social order so that groups are made equal. Indeed, it is widely believed in India that it is the function of the state to protect one group against another and to protect firms against the competition of the marketplace. Import substitution became more than a policy of protecting infant industries; it became a way of protecting inefficient producers.

[8] Jawaharlal Nehru, *The Discovery of India* (New Delhi: Oxford University Press, 1983 ed.), 501. Nehru went on to write that the "Indian outlook . . . has never approved of the spirit of acquisitiveness" (p. 523), thereby expressing not an "Indian" view, but a Brahminical one.

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Not everyone in India shares this image of the state as protector and benefactor. In the last decade or so, a new technocratic/managerial elite has emerged, which includes graduates of the prestigious Institutes of Management and Institutes of Technology; they are prepared to compete within India and in the world economy. India now has a large number of young entrepreneurs and managers with considerable self-confidence. Within the bureaucracy itself, a number of individuals are sharply critical of the prevailing industrial policy, both because of its impact on the economy and because of its corrupting influence on the administration. The opinions of these individuals might not have much influence on industrial policy but for the fact that the new prime minister appears to share much of their outlook. Moreover, the prime minister's closest economic advisors—Montek Ahluwalia (the husband, incidentally, of Isher Judge Ahluwalia) in the secretariat, Manmohan Singh, the head of the Planning Commission, and V. P. Singh, the new finance minister, share this view.

The burgeoning literature on the political economy of development often has as its centerpiece the notion of "constraints" on development—by which economists mean resource constraints and political scientists mean the constraints of interests. Neither pay much attention to the constraints of self-imposed mindsets, the worldviews that prevent those in power from learning from their mistakes, from giving up policies based on principles that do not work, and from rethinking the differences between goals and instruments, means and ends. It is not yet clear that the new group now governing India has completely given up the socialist mindset; but if the Indian government does succeed in creating a new industrial policy that liberalizes the economy, lowers trade barriers, encourages exports, privatizes or removes from ministerial control some of the public-sector firms, ends many of the licensing procedures, and generally moves in the direction of making the economy more competitive, it will be the result of this group's initiative rather than of any powerful political interests pushing in that direction. Nor will it be the result of rethinking on the part of India's economists, few of whom anticipated the new policies intellectually.

There are formidable political obstacles to liberalization. There is opposition from the left within the Congress Party, among the left parties, and among sections of the academic community. Opposition also comes from those who are the beneficiaries of the present system—businessmen in protected industries, workers in inefficient plants, and bureaucrats earning fees from businessmen. These groups are likely to use every conceivable argument to halt liberalization: they will advocate

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reimposing import restrictions as India's balance of payments worsens; they will call for the rescue of failing firms on the grounds that workers would otherwise lose their jobs; and they will plead to retain subsidies in order to keep prices down. Those who put forth these arguments could win popular support if the new policies are accompanied by a significant increase in inflation, or if the policies fail to improve industrial output and employment significantly.

India is likely to experience a difficult period of transition. If imports are liberalized too rapidly, protected industries will not be able to make the necessary adjustments to become competitive. Liberalization will falter if the economy is opened to luxury goods rather than to the import of capital goods and technology that will enable industry to modernize. If public-sector firms remain inefficient, the high cost of steel and the unrealiability of electric power and transportation will continue to push costs up for domestic industries, reduce their capacity to compete with foreign imports, and prevent them from expanding exports. The deficit in the balance of payments will grow, and it is unlikely to be reduced by an increase in remittances or foreign aid. Borrowing on commercial terms will mean higher interest rates and increased debts. If the trade deficit is to be kept managable, India will need to cut imports, particularly in edible oils and sugar; exports will have to expand; and the country will need to attract additional capital investment from abroad. Substantial investments will have to be made to modernize such critical sectors as steel, coal, power, transportation, and irrigation; but it is not clear where the resources for such investments will be found. A reduction in subsidies could net substantial new resources; but some of these subsidies, particularly those for food and gasoline, benefit large numbers of people. Their withdrawal is politically unpopular, as the government recently learned. In short, it will take a great deal of *political* as well as economic fine-tuning to make the transition. The prime minister and his technically oriented advisors will have to demonstrate that they have the political skills to handle the transition.

If Rajiv Gandhi proves to be successful in rationalizing the Indian economy by making it more open and competitive, the consequences are likely to be reflected in the political arena. Influence will shift from those sectors of the business community concerned with protection to those that need a more open trading economy; and the power of the bureaucracy over business, and of politicians over the bureaucracy, will surely be reduced. But the short-term consequences may also include more militant unionism and a growing antagonism toward the prime minister from leftist intellectuals, leftist political parties, and leftist sec-

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tions of the Congress Party. It remains to be seen whether the prime minister's new industrial policies will lead to an economic miracle for India. Meanwhile, they seem likely to arouse strong opposition.

India's experience since Independence suggests the importance of the leadership's ideology in generating industrial policies that, in turn, create interests committed to the preservation of such policies. India's socialists succeeded in creating an industrial structure in which the state is predominant, both in its direct control over basic industries and in its indirect control over the private sector. State control—though still far from the socialist ideal of central planning in the Soviet and East European sense of central allocations of resources and enforcement through centralizing command—has given the bureaucracy enormous power. The result is that a system put in place by antibureaucratic and anticapitalist socialists is now sustained by the bureaucracy, by sections of the governing Congress Party, and by portions of the business community. Therefore, in spite of the disenchantment with socialism by sections of the middle class and the efforts at reform by liberals within the government, it will be difficult to dismantle many of the controls that have by now become institutionalized. A fundamental change toward market-oriented policies requires a new ideological orientation of the governing elite, an economic and political strategy for handling the transition, a strong commitment by the leadership to pursue these policies in spite of short-term losses, and the capacity of the leadership to build a new coalition of political forces to provide support for these policies. Rajiv Gandhi has met the first condition, but it will take some time before we know whether he can meet the second, the third, and the fourth.

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ARE ARAB POLITICS STILL ARAB?

By JERROLD D. GREEN*

Fouad Ajami, *The Arab Predicament*. New York: Cambridge University Press, 1981, 220 pp.
Christine Moss Helms, *Iraq: Eastern Flank of the Arab World*. Washington, DC: The Brookings Institution, 1984, 215 pp.
Bahgat Korany, Ali E. Hillal Dessouki, and others, *The Foreign Policies of Arab States*. Boulder, CO: Westview Press, 1984, 354 pp.
P. J. Vatikiotis, *Arab and Regional Politics in the Middle East*. New York: St. Martin's Press, 1984, 267 pp.

AT times it almost appears that Middle East politics is the oncology of the social sciences. Like physicians treating those with cancer, we cannot make very encouraging prognoses and wish we knew far more than we do. In large part, this can be attributed to the exceedingly conflictual, complex, and diverse area of the world with which our scholarly energies are concerned. Furthermore, political life in the Middle East is rarely cooperative—it is reluctant to do what we expect or would want of it, and its observers are often cast in the role of seers rather than scholars.

In recent years, the Middle East has been especially unpredictable. The Camp David accords have led neither to the total isolation of Egypt nor to the decline of the Egyptian state, while the assassination of Anwar Sadat was followed by a surprisingly smooth and orderly transfer of power that has endured to this day. In Iran, Ayatollah Khomeini continues to be popular with large segments of the population. The Iran-Iraq War has failed to spill over significantly into the wider region, instead producing alignments that put into serious question the significance of ideology in the Middle East.[1] In addition, Israel was forced to admit defeat in Lebanon even as the hapless residents of that country achieved their own bloody equilibrium, with destruction continuing to supersede construction. Yasser Arafat refuses to be vanquished or to triumph, and the leaders of Jordan, Iraq, and Syria have politically outlived all actuarial tables—to the surprise of many (themselves included, perhaps). Finally, Islamic revival, fundamentalism, or whatever,

* The author would like to thank Louis Cantori, Iliya Harik, Augustus R. Norton, and E. Raymond Platig for their helpful comments on earlier drafts of this essay. Naturally, the usual exemptions from responsibility apply.

[1] For an analysis of the role of ideology in the Middle East, see James Bill and Carl Leiden, *Politics in the Middle East*, 2d ed. (Boston: Little, Brown, 1984). The ideological role of Islam is further investigated in Jerrold D. Green, "Islam, Religiopolitics, and Social Change," *Comparative Studies in Society and History* 27 (April 1985).

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remains politically significant but is hardly the dominant wave of the future predicted in the wake of the Iranian Revolution by both admirers and detractors.[2]

Within the Middle East field, there is consensus about what we want to know about the region, but little agreement on how to go about studying it. While observers of the region are concerned about events such as those enumerated above, scholars are more interested in trends and their origins. Yet events of the moment are usually the product of broader developments; those in policy-making or journalistic circles ultimately should be as dependent upon the seemingly arcane conceptualizations of the scholarly community as are the scholars themselves. Trends can explain discrete events; events, by themselves, can explain very little.

Conceptually, we have passed through several phases. Early emphasis on problems of modernization and political development in new states shifted to questions of power and political elites and, more recently, to issues of political economy, interest groups, and the role and character of the state.[3] This theoretical development has been far more encouraging than many realize. Although such conceptual travails may be unthinkingly explained away as signifying uncertainty or fashion, they may more accurately be perceived as growth or maturation. The pursuit of knowledge is incremental, and the student new to Middle East politics will find a corpus of literature which is certainly equal to that in other fields. In the case of Egypt in particular, several important books have appeared in recent years.[4] As conditions for research in the Middle East become increasingly inclement, there is no cause for undue optimism. But it is clear that the theoretical development of Middle East politics is of a high priority to many in the field.

[2] Among the better books dealing with Islam and politics are Shahrough Akhavi, *Religion and Politics in Contemporary Iran* (Albany, NY: SUNY Press, 1980); Said Amir Arjomand, ed., *From Nationalism to Revolutionary Islam* (Albany, NY: SUNY Press, 1984); Ali E. Hillal Dessouki, ed., *Islamic Resurgence in the Arab World* (New York: Praeger, 1982); Hamid Enayat, *Modern Islamic Political Thought* (Austin: University of Texas Press, 1982); James Piscatori, ed., *Islam in the Political Process* (New York: Cambridge University Press, 1983); and Fazlur Rahman, *Islam and Modernity: Transformation of an Intellectual Tradition* (Chicago: University of Chicago Press, 1982).

[3] The development literature is represented by Michael Hudson, *Arab Politics: The Search for Legitimacy* (New Haven: Yale University Press, 1977); the elite literature by Marvin Zonis, *The Political Elite of Iran* (Princeton: Princeton University Press, 1971); the political economy literature by John Waterbury, *The Egypt of Nasser and Sadat: The Political Economy of Two Regimes* (Princeton: Princeton University Press, 1983); and interest groups by Robert Bianchi, *Interest Groups and Political Development in Turkey* (Princeton: Princeton University Press, 1984). These volumes are just a sampling of a much broader literature.

[4] For example, see Leonard Binder, *In a Moment of Enthusiasm: Political Power and the Second Stratum in Egypt* (Chicago: University of Chicago Press, 1978); Mark Cooper, *The Transformation of Egypt* (Baltimore: The Johns Hopkins University Press, 1982); and Waterbury (fn. 3).

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The books under review represent significant trends in the study of Arab politics. They differ in approach, method, and scope, and should be seen as a broad but not comprehensive sampling of what scholars and observers of the Middle East are reading and writing. The Vatikiotis collection is the broadest in scope and has been included because of its concern with regional trends in the Arab world as well as its traditional area-studies approach. The Ajami volume shares this breadth, but the author chooses to explore a limited number of issues in a more thorough, if somewhat unorthodox, fashion. Unlike the other studies reviewed here, it defies simple categorization. Korany and Dessouki claim a narrower purview and strive for a conceptually based analysis of foreign policy formulation in several Arab states. They favor discrete case studies rather than the regional perspective prevalent in the Ajami and Vatikiotis volumes. Finally, Helms's volume is a case study of Iraqi politics; its origins and target audience lie in Washington's policy-making circles. Thus, in this essay, I evaluate the state of the art in the study of Arab politics by narrowing down from regional politics to foreign policy formulation, and then on to national politics, while comparing the area-studies, social-scientific, and policy-oriented analytical approaches.

The concern common to all of the books is a consideration of the relationship between Arabism and Arab politics on the levels enumerated above. This hazy relationship has been central to the study of the Arab world for the past 50 years; somewhat surprisingly, it has yet to be adequately explained. Ignoring the rather shopworn and unsatisfactory argument that theoretical concepts developed in the West are inappropriate for understanding the "East," I maintain that the more traditional approaches have not successfully explained the continuing political role of Arabism in the Middle East. Furthermore, I argue that seemingly abstract concepts—such as authoritarianism, political development, interest-group politics, notions of legitimacy, and political economy—when linked with studies of ideology (such as Arabism), are essential to a more accurate and sophisticated understanding of the importance of Arabism to Arab politics. As some of the studies reviewed here suggest, Arab politics can be understood in the same social-scientific terms as politics elsewhere; what is needed is an ability to recognize and distinguish what is unique about Arab politics from what is not.

Arab Politics: Interaction Is Not Integration

In his provocative and widely read study, *The Arab Predicament*, Fouad Ajami makes the commonsensical but almost heretical argument that Arabism has ceased to be a signficant force in Arab politics. Its accuracy

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is implicitly accepted by many Arabs and Arabists who nonetheless find it troublesome: few are comfortable about putting the matter as squarely on the table as Ajami does. In universities and coffeehouses throughout the Arab world (and the West, for that matter), as much attention seems to be devoted to asking *how* Ajami could say this, as to *why*.[5] His reasoning hits uncomfortably close to home. Ironically, however, those who disagree with Ajami bear out his assertion rather than refute it. In their understandable reluctance to recognize the political bankruptcy of Arabism, they highlight its impoverishment, for there is little evidence to document its continued vitality. This is particularly true of Egypt, where the spirit of Nasser seems to be missed far more than is the man himself. Affection for Nasser seems to be informally correlated with age. That is, those who remember him the least, those who were children during his rule, yearn for him the most. But throughout much of the Arab world, there is a palpable and unmistakable hunger for the days in which Arab unity seemed closer at hand and appeared to be a more attainable goal. In a sense this is odd, for dreams of Arab unity directly conflict with the type of political maturity for which there is also a yearning, and which signifies the realization of legitimacy and sovereignty that are the goals of all new states. We should ask whether Arabism would not, in fact, impede the growth of the very states which so many in the Arab world have eagerly sought to promote.

What many have interpreted as Ajami's "bad news" may in fact be viewed as "good news." The process discussed so long ago by Daniel Lerner seems to be taking hold in the Middle East. While I am not referring to the 1950s slogan of "modernization" by which Cairo could be alchemized into a city in Illinois, I am arguing that what Ajami is talking about involves the *recognition* by most Arabs that only they can take control of their own destiny. Few look to the political elites of other Arab countries for salvation. Altruism plays a small role in international politics, and Arabs can be imperialists too. This is not meant to imply that the situation in the Arab world is ideal or even terribly good. Kurds, Palestinians, the Lebanese Shia, Islamic activists, and many others certainly share dissatisfaction, if nothing else.[6] The longevity of Hafez al-Assad, Saddam Hussein, and even King Hussein may be more attributable to the modernization of *mukhabarat* (the secret police) than to

[5] This became clear to me while I was a visiting research professor in the Faculty of Economics and Political Science at Cairo University in 1982-1983, and during visits, then and more recently, to various Arab states.

[6] For example, see Augustus R. Norton's *Protest Politics in South Lebanon* (Austin: University of Texas Press, forthcoming).

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political maturation. On the other hand, the rules of politics have changed, and residents of the Arab states are all learning to rely on themselves more than on others. Arabs in Iran's Khuzistan have not flocked to Saddam Hussein's banner. Qaddafi's claim to support the Arab world by backing Iran against Iraq is viewed by most as the fantasy of a megalomaniac obscurantist rather than the policy of a genuine and respected spokesman for Arab interests.

The Arab world has shrunk while the distances between countries seem to have become greater. As Egyptian *fellahin* laden with electric fans and tapedecks climb aboard waiting 747's in the Gulf to spend some time with their families at home, it would be difficult to convince them that the Saudis or Kuwaitis know best what direction Egypt should take. The humiliating defeat of 1967 taught the Palestinians that they could rely only on themselves.[7] For, while many in the Arab world are genuinely committed to the Palestinian cause, emotive resonance and passive empathy do not win wars. The Arab states may share a broad range of affinities. But although it is tautological, we should remember that different Arab states are *different*. It has become increasingly evident to many Arabs that interaction does not mean integration. Notions of an "Arab mind" are not accurate even when uttered with a smile.

It is difficult to reconcile recent developments in the Arab world with some sort of ephemeral political unity. Would we not treat the Arab world with greater realism and respect if we looked at it as it is rather than as some might think it should be? Ajami has provided a difficult challenge; in questioning the political importance of Arabism, he puts himself at the center of a debate that will not be easily resolved. His analysis is as characteristic of the *American Political Science Review* as it is of the types of sources on which he relies and which most scholars of the Middle East actually read. More importantly, however, his position is amenable to conceptual analysis, investigation, and testing; it is reminiscent of a memorable statement by Ali Dessouki in reference to another ideological-political relationship in the Middle East:

> Islamic [i.e., read Pan-Arab] movements have to be seen in relation to the specific processes of social change taking place in their societies, in particular to issues of the changing position of classes and groups, political participation, identity crisis, the stability of regimes, and distributive justice.[8]

[7] Two recent studies on the P.L.O. thoroughly document this point. See Helena Cobban, *The Palestine Liberation Organization: People, Power, and Politics* (New York: Cambridge University Press, 1984), and Aaron Miller, *PLO: Politics of Survival* (New York: Praeger, 1984).

[8] Dessouki (fn. 2), 8.

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Dessouki and Ajami correctly argue that emotional and subjective belief systems can and should be studied objectively, dispassionately, and systematically. It is essential to locate the continuing importance and role of Arabism in regional and national politics. But to take it as a given, to equate cultural affinity with political uniformity, is not only wrong but the progenitor of deficient scholarship, paternalism, and condescension. Ajami puts old ideas into a new and persuasive package. Touching on issues of social change in many dimensions, he implicitly provides a research agenda that falls well within the conceptual parameters of comparative politics, highlighting such themes as class relations, religiopolitics, political elites, and revolution.

Arab Politics or Politics in the Arab World?

In contrast with Ajami's multifaceted examination of a single theme, the essays by Vatikiotis cover an extraordinary number of topics ranging over Islamic thought, Egyptian history, and inter-Arab politics. (They are, for the most part, pieces the author has published over the last 25 years.) Our concern here is with the essays devoted to regional politics. Although some of the pieces are clearly outdated, others have sparks of unusual prescience. For example, in 1958 Vatikiotis talks of "a veritable revival of Islam" which makes the breathless pronouncements of others, almost 30 years later, sound somewhat contrived. Overall, however, the essays are frustrating to read.

Vatikiotis is knowledgeable and opinionated in equal measure; yet he almost seems to write in a vacuum. The book has no bibliography, and many of the essays are sparsely footnoted. Although his use of Arabic language sources is to be commended, Vatikiotis almost totally ignores other scholarship in the field. Thus, the essays have a remote and out-of-context feel to them. In view of his strong feelings about what he addresses, it would be interesting to know what he thinks of the work of others toiling in neighboring vineyards. To write on Arab politics while systematically ignoring the work of Ajami, Binder, Harik, Hudson, Waterbury, Zartman, and others is less than profitable. By not addressing the work of his colleagues, Vatikiotis seems imperially to dismiss them. The loss is as much ours as it is his.

The absence of a consistent approach brings with it another heavy cost. Writing about politics while eschewing political science obscures potentially strong arguments while emphasizing events rather than trends. In a piece entitled "Inter-Arab Relations" (1976) the author correctly notes "the absence of an Arab world monolith." He then goes

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on to mention the Arab world's "common Islamic heritage which, incidentally, remains at the heart of Arab nationalism" (p. 78). This point is neither incidental nor axiomatic. The divergence and convergence of Arabism and Islam is exceedingly complex; to place Islam at the heart of the Arab Socialist Union or the Ba'ath Parties, for instance, calls for documentation rather than opinion.

By allowing questionable and unproven generalizations to crop up, the author raises doubts in his reader about all his arguments. For example, what is meant by "so-called Arab causes" (p. 103), "so-called 'rejectionist' states" (p. 228), "so-called moderates" (p. 229), and "so-called Fahad Peace Plan" (p. 235)? Did Sadat ever really succeed in "evoking ... an Islamic ambience," even in the earliest days of his political career (p. 227)? If one rejects the notion of an Arab monolith, can one then talk about a "seamless web of Arab politics" (p. 228)? Are Egyptian laborers really "ill-fed" (p. 120)? In short, reading such essays is not without effort. One has to sift with unusual care, and the yield is not superior to that found in more disciplined offerings. More significant, however, is the inability of the author to take a stand on the issue that is the implicit focus of many of his essays—to what degree are politics *in* the Arab world *Arab*? Unlike Ajami, Vatikiotis would like to have it both ways, juxtaposing hard-to-substantiate generalizations about the Arab world with a more convincing recognition of its diversity. Unfortunately, the two frequently cancel each other out.

The foregoing comments arise not from a political scientist's fidelity to his discipline, but from a broader commitment to research practices and standards that are common to all fields of scholarship. There seems to be a fairly broad consensus however, that, as a pseudo-discipline, area studies promotes rather than ameliorates the types of problems outlined above.[9]

Foreign Policy in the Arab World

The essays in the Korany/Dessouki volume address issues similar to those of concern to Ajami and Vatikiotis. The study, which is unusually coherent for a collective work, begins with a conceptually suggestive

[9] For discussion of the relationship between social science and area studies, see Leonard Binder, "Area Studies: A Critical Reassessment," and I. William Zartman, "Political Science," in Leonard Binder, ed., *The Study of the Middle East: Research and Scholarship in the Humanities and Social Sciences* (New York: John Wiley, 1976), 1-28 and 265-326, respectively. For an examination of these issues within a broader geographical context, see Lucian W. Pye, ed., *Political Science and Area Studies: Rivals or Partners?* (Bloomington: Indiana University Press, 1975).

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discussion of Arab foreign policy, which is followed by another on the relationship of Arab foreign policy to the global system. These chapters are meant to provide a conceptual framework as well as empirical guidelines to link the subsequent individual country studies. The endeavor is successful: the case studies each consider similar issues while their internal organization reflects a tight ordering set out by the editors.

Dessouki and Korany are dismayed at the dearth of literature on foreign policy in the Arab world. They reject the "contemporary political history" approach (p. xi) and persuasively argue that "our field has been plagued by inadequate conceptualization, overemphasis on historicism and the uniqueness of the Islamic-Arab situation, and neglect of a truly comparative outlook" (p. 2). They then advance four general propositions on Arab foreign policy that can be summarized as follows: (1) Arab states share a number of norms and concerns; (2) Arab foreign policies are primarily regional in orientation; (3) there is a close relationship between domestic and foreign policies in the Arab states; and (4) there is a latent tension between Arab foreign policies and the interests of each state. Arab foreign policies are distinguished, according to the authors, by their orientation to the global system, their degree of involvement in Arab politics, their distribution of resources and influence, and their character as state or nonstate actors. (The P.L.O. is cited as an example of the latter.) These propositions and themes are not considered axiomatic, and are tested throughout the volume.

A central goal of the prefatory chapters is to ascertain "what elements are specific to the Arab world" (p. 26). Two of the main factors enumerated are cultural homogeneity and the Arab-Israeli conflict. Here the authors are unpersuasive; they fail to make a satisfactory distinction between interaction and integration. Falling into the historicism they criticize in others, they cite, as a measure of Arab unity, events from the fifties and sixties that are no longer relevant. For example, they discuss the early enthusiasm for the creation of the U.A.R. (1958-1961) and take this as confirmation that Arab foreign policies are subject to "intense involvement by the masses" (p. 27). "Involvement" is a vague term that certainly differs from influence. Furthermore, the disintegration of the U.A.R. is perhaps more telling than its formation, and the only more recent evidence the authors present to support their case is the opposition within the Arab world to Sadat's trip to Jerusalem and the subsequent Camp David accords. This, too, is less than convincing: it overlooks the acceptance of the agreements by many Egyptians and the eventual, albeit gradual, reentry of Egypt into an Arab world willing to overlook Egypt's deviance in exchange for its support.

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The authors correctly identify the attitudes toward Camp David as negative, but they exaggerate popular influence on foreign policy formulation. Several of the case studies, however, ably distinguish popular *interest* in foreign policies from popular *influence* on them. This leads to the authors' second point: they maintain that the presence of Israel "encourages" Arab unity. They muster no meaningful evidence to document this argument, which reflects wishful thinking in the Arab world rather than political reality. Furthermore, it is testimony to the book's high quality that several of its other contributors find little that is peculiarly Arab about the foreign policies of most Arab states. The editors implicitly recognize this and adjust their conclusions accordingly in their final chapter, in which they admit that the propositions put forth at the outset of the study are only partially correct. Thus, the book is a laudable attempt to deal with complex and difficult issues.

Paul Noble's excellent if rather dated chapter on "The Arab System" begins by noting a decline in the importance of ideology for political elites during the 1970s, but its persistence for other social strata in several states (pp. 44-45). Implicitly recognizing a crisis of ideology, Noble is sensitive to the Arab world's susceptibility to ideological appeals while noting that, although neither Arabism nor Islam may provide the answer, "a *new* basis for transnational solidarity might emerge within the Arab world" (p. 50; emphasis in original).

Noble ably distinguishes ambitions from capabilities. He traces the devolution of Pan-Arabism by looking at recent emphases on functional bilateral arrangements rather than on outright mergers between states. Furthermore, he goes beyond the rhetoric of Arab elites by distinguishing what is *meant* from what is *said*. He concludes by noting that, as the Arab world became less revolutionary, it became more fragmented (p. 70). Although he considers this fragmentation synonymous with conflict, we might ask whether it should not be understood as a type of political growth in which states begin to recognize and prize their own sovereignty and are motivated by more realistic and realizable goals than has been the case to date.

In implicit support of Ajami's central thesis, almost all of the case studies in the Korany/Dessouki volume demonstrate the ascendance of individual nationalisms or other commitments over Arabism. Korany's contribution on Algeria shows that the dominant ideological impetus to foreign policy emphasizes broader third-world concerns, and particularly sub-Saharan Africa, rather than pan-Arabism. In his essay on Egypt, Dessouki notes that Sadat "did not feel the need to pursue an activist Arab policy to maintain his leadership" (p. 130). It is significant that,

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in a discussion of Egypt's foreign policy orientation, the Arab world is left to the final section of the chapter and treated with the greatest brevity. According to Dessouki, the "crucial factors in restructuring Egyptian foreign policy" were economic and in the realm of relations with the United States. Although Mubarak has attempted to "rehabilitate" Egypt's image within the Arab world, he has sought improvement within broader, nonaligned African and Islamic circles as well, and not at the expense of peace with Israel or of close ties with the United States (p. 143).

In what may be the book's most interesting chapter, I. William Zartman and A. G. Kluge analyze Libyan foreign policy; they note that Qaddafi, in a peculiar aberration of the pan-Arab ideal, seeks unity through disunity. That is, to propel himself into a position of leadership, he seeks to destabilize those with whom he is in disagreement. The notion that conflict with Israel promotes Arab unity is easily dispelled in a statement by an Israeli general who notes that, "for Israel, Qaddafi can be a kind of an asset. Who else, in all his frantic attempts to unify the Arabs, is keeping them divided to the extent Qaddafi is?" (p. 190). Although exaggerating Qaddafi's role in Arab politics, the general's position still finds wide acceptance in the Arab world. To put it somewhat differently, with Arabs like Qaddafi, who needs Israelis?

Just as Algerian and Egyptian foreign policy makers try to appeal to a broad range of interests in their policies, Korany shows that this is the case in Saudi Arabia, which focuses most of its energies on Islamic rather than on Arab issues. Although the distinction between the two is at times murky, Islam still necessitates political rhetoric and actions that are different from those usually associated with an unadulterated version of pan-Arabism. Certainly the legitimizing credentials of the Saudis in the Islamic sphere are unique and unambiguous. Islam proved useful to the Saudis when, for example, they "countered the radical wave of Ba'athist-Nasserist Arab nationalism by insisting on pan-Islamism" (p. 269). Despite Vatikiotis's assertion that Islam is at the heart of Arabism, the two can be separated. The Saudis have consistently failed to merge them convincingly; in Saudi Arabia, the primacy of Islam is beyond question.

In the book's final case study, Raymond Hinnebusch looks at Syria's foreign policy. He states that "Syria has traditionally thought of itself as, above all, the 'beating heart of Arabism,' " but he also astutely notes that "nowhere is the gap between ideal and performance more marked than in Syria's pan-Arab role" (p. 289). The author attributes this to the oft-overlooked but certainly generalizable fact that "no Syrian [i.e., or

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other Arab] political elite has been prepared to sacrifice its power on the altar of pan-Arabism" (p. 290). Although Arabism is still an attractive ideal for many Syrians, it is inevitably superseded by pursuit of the national interest. Thus, Syria can comfortably support Iran against Arab Iraq with minimal soul-searching. Choosing pragmatism over idealism has kept Hafez al-Assad in power for 15 years, and his regional influence has grown concomitantly. Most recently, for example, Israel found itself in the uncomfortable position of pleading with Syria to support its withdrawal from Lebanon; indeed, Uri Lubrani, Israel's "coordinator" in Lebanon, made the astounding statement that "we Israelis took hope from our past experiences with Syria."[10] This is a marked deviation from Israel's usual characterizations of Syria. In short, Assad's "Syria-first" policy has proved to be quite effective.

Despite their emphasis on the role of pan-Arabism in the book's initial essays, the editors conclude in their final chapter that "independence is a core concern for most Arab elites" (p. 328). They distinguish *Arab behavior* from *behavior in the Arab world*, and present three propositions, derived from the case studies, which clearly show that the latter is the more relevant analytical perspective. In short, this excellent volume successfully strives to amalgamate what is useful in the social sciences with what is useful in Middle East area studies; it fills an important gap in the study of the international relations of the region.

Pan-Arabism and Iraq

Like the other authors reviewed here, Christine Moss Helms looks at the role of ideology in the Middle East. More specifically, she is concerned with the ideological underpinnings of the Iran-Iraq War, which she attributes to "a fundamental incompatibility between Arab nationalism and Islamic conservatism" (p. 151). This view, which represents the conventional wisdom for many observers of the war, tends to equate Khomeini's Iran with Islam and Ba'athist Iraq with Arabism. Neither is correct.

Throughout the study, Helms undermines her own argument; for instance, she notes Iraq's "observable gap between ideological commitments and practical policies," while quoting a speech by Saddam Hussein who recognizes that the desire for a single Arab state is "sheer drama" because "the Arab reality is that the Arabs have 22 states, and we have to behave accordingly" (p. 114). At times, the author recognizes this

[10] Uri Lubrani, "Lebanese Peace in Syria's Hands," *The New York Times*, January 15, 1985, p. 23.

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dilemma, and discusses "Iraqi centrism" (p. 202), attempts to foster "Iraqi nationalism" (p. 158), and "the Ba'ath's ideological concessions to external political pressures" (p. 111). In a less than convincing fashion, she insists, however, on equating Iraqi politics with Arabism. Although Iraq is an essential part of the Arab world, the notion of an eastern flank, with Iraq guarding the frontier on behalf of the Arab world, is the stuff of political speeches rather than political realities.

In part, the author's indecision concerning the relationship between Iraqi Ba'athism and Arabism is the result of her uncritical view of Iraq, which prompts some rather startling statements. For instance, she notes that Iraq is a country "whose governments always have encouraged tolerance among its various ethnic and religious groups . . ." (p. 202), and that "the underlying rationale for [Iraq's] socioeconomic development, however idealistic, is the belief that the government exists to serve the people and not the ruling elite" (p. 122).

In general, this book, falling between social science and area studies, fits into a less common genre, which might be termed "policy literature." The study relies heavily on interviews with significant political elites in Iraq, among them Saddam Hussein. At the same time, however, it demonstrates the difference between brief visits to a country and systematic field research. Special access to usually reticent political elites is accompanied by certain risks. To ask Iraqi leaders to evaluate their own performance or to explain their political motives or agendas is unlikely to be especially productive. Indeed, other than providing a cachet of authenticity that is an important part of policy research, interviews with Saddam Hussein and his colleagues do not accomplish very much; they reveal little that is not already known to scholars of the Middle East. The impressionistic and subjective nature of these interviews is heightened by the journalistic technique of referring to unnamed sources in other interviews—such as a "Western businessman" (p. 184) or "Iraqis who [in conversation] show their mistrust of Soviet motives" (p. 203). Perhaps the Iraqis were not fully "trustworthy" informants themselves: they were undoubtedly aware of their government's desire for American support in the war against Iran, the reestablishment of diplomatic relations with the United States, and so forth.[11] Sometimes an adroit respondent can benefit more from an interview than the interviewer.

[11] For a different perspective on Iraqi politics, see Elaine Sciolino, "The Big Brother: Iraq Under Saddam Hussein," *The New York Times Magazine*, February 3, 1985. Interestingly enough, Sciolino interviewed some of the same people as Helms did, such as Taha Yasin Ramadan, Latif Nasif Jasim, and Saadoun Hammadi; visiting Americans apparently tour the same circuit. Sciolino seems to have drawn more plausible conclusions from the experience than Helms, while also providing several illustrative vignettes of how nonofficial Iraqis view Saddam Hussein and the Ba'ath Party.

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It is quite understandable that Iraq would like Ba'athism to be perceived as synonymous with Arabism. For, by characterizing the war as one between Arabs and Iranians, it can enhance its own legitimacy in the Arab world in a fashion that might generate neeeded support. Yet the true ideological conflict that perpetuates this brutal war is between Saddam Hussein's brand of Ba'athism and Khomeini's vision of an Islamic state. Arabism and Islam are not static concepts; they differ substantially, depending on their social, economic, political, ethnic, cultural, and historical contexts. For example, Pakistan, Iran, Numeiri's Sudan, and Saudi Arabia are Islamic states unable to agree on what an Islamic state should really look like. Furthermore, the alignments that have emerged from the Iran-Iraq War belie the significance of ideology. Syria, which, according to Hinnebusch, views itself as the quintessential Pan-Arab state, has chosen to support Iran against Iraq. Iran also accepts support from Libya despite the fact that Ayatollah Khomeini blames Colonel Qaddafi for the mysterious disappearance and presumed death of Imam Musa al-Sadr, the head of Lebanon's Shia community. Is Iraq somehow more Arab than Syria or Libya? Iraq would like us to believe this, although it has had little success in persuading others.

On the other side, Saudi Arabia and Jordan are supporting Iraq. Is this the result of a shared view of what pan-Arabism means? Hashemite kings are regarded with little affection in Baghdad (as are all monarchs), and Saudi Arabia's commitment to maintaining an Islamic state is in direct contradiction with the tenets of Ba'athism, which emhasizes secularism. Desirous of Egyptian support, the Iraqi leadership overlooked Egypt's peace treaty with Israel, and improved relations with Cairo just when Yasser Arafat was forced to visit Egypt after being expelled from Beirut by the Israelis. The point is that these alignments have little to do with ideology, for ideology is rarely the sole determinant of policy in any country. Ironically, Jordanian and Saudi support for Iraq results from the fear that Iraq will lose the war rather than from the hope that it will triumph. All states in the region recognize that a decisive Iraqi victory could be as fraught with risks as would an Iranian one. Adeed Dawisha best captures the utilitarian rather than ideological character of the Iraqi political elite. In writing of Iraq's participation in the Baghdad Summit, he notes:

> The Iraqis themselves were forced to temper their hitherto rigid revolutionary position. The Baghdad Summit appears to have given the Iraqi leaders a taste for diplomacy, as well as a greater awareness that moderate and pragmatic positions could prove far more effective than revolutionary orthodoxy in influencing Arab attitudes and policies (Korany/Dessouki, 166).

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There is little room among political elites in the Middle East for orthodoxy of any kind. Certainly the Iran-Iraq War has strong ideological overtones, particularly on the Iranian side. Yet, although Helms sporadically recognizes the type of political behavior described so well by Dawisha, she accords too much significance to the Ba'ath's rather glorified self-image, and inadequate attention to how the Iraqi people themselves view the Ba'ath. As Ahmad Yousef Ahmad astutely notes, Iraqi policy is in large part the captive of Iraq's domestic situation. Although external factors are also important, "the most crucial external variables have exercised influence through domestic variables (the Kurdish conflict and the war with Iran)" (Korany/Dessouki, 168). It is in the intermingling of ideology with such factors as ethnicity, religion, social class, and interest groups that Iraqi politics can best be understood. Ideology does not stand alone, and the conceptual tools of comparative politics can best aid us in finding how it is embedded within its context.

Arab Politics Reconsidered

To question the role of Arabism in the Middle East is to undertake the study of the role of ideology in politics. As I have shown, the area-studies and policy literatures tend to view Arab politics as some sort of analytical step-child. They imply that, in the Arab world, politics is somehow less political than elsewhere. A more conceptually rigorous and systematic approach can pinpoint idiosyncrasies; more importantly, it implicitly recognizes that politics in the Middle East exhibits similarities to politics elsewhere. In a sense, undue emphasis on Arabism promotes a kind of romanticism which, in its favorable form, argues that Arabs see themselves as being somehow above politics—as assuming that unity is down the road, and once this occurs they will be a force with which to be reckoned. The other side of this distortion is a type of negative romanticism, which infers that politics is a Western art and that "these Arabs" will never get it right. The Korany/Dessouki study aptly shows that Arab political leaders are as rational as their opposite numbers elsewhere. The idiom and the language of politics may be far more culturally determined than is the content, for Arab leaders are forced to deal with the same sorts of economic, developmental, political, ethnic, religious, and foreign-policy problems as other leaders. Just as we must look beyond the rhetoric of politicians in the West, so we must in the Middle East. Nonetheless, ideology—be it Arabism, Islam, or a hybrid—remains important in the Arab world. Political elites rely upon it in order to enhance their own legitimacy, to discredit their opponents,

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to stimulate mass mobilization, and to justify their policies. Having established how and why Arabism is less important than many have thought, the time now seems ripe for social scientists to investigate how and why it *is* important. Our understanding of the Arab world will remain incomplete until we have met this important analytical challenge.

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THE STUDY OF INTERNATIONAL RELATIONS IN GREAT BRITAIN: Further Connections

By GENE M. LYONS*

Michael Banks, ed., *Conflict in World Society*. New York, St. Martin's, 1984, 234 pp.
Hedley Bull and Adam Watson, eds., *The Expansion of International Society*. Oxford, Clarendon Press, 1984, 479 pp.
Michael Donelan, ed., *The Reason of States*. London, George Allen & Unwin, 1978, 220 pp.
James Mayall, ed., *The Community of States*. London, George Allen & Unwin, 1982, 189 pp.

I

STUDENTS of international relations in the United States and Great Britain have several things in common. First—and most importantly—they read and write the same language. There is thus no excuse for their not having a good understanding of each other's work. There is every evidence that British scholars not only know, but also extensively use, American books and journals. Just about every important American contribution, for example, can be found in the reading lists for international relations courses in the catalogue of the London School of Economics and Political Science.

There is less certainty that American scholars are as aware of the research and writing of their British colleagues. True, books by E. H. Carr, at an earlier stage, and Hedley Bull, more recently, might readily appear in international relations syllabi in American colleges and universities;[1] the British and American International Studies Associations

* This review of recent British scholarship in international relations is a companion piece to my earlier review of French scholarship, "Expanding the Study of International Relations: The French Connection," *World Politics* 35 (October 1982), 135-49.

[1] Lewis F. Richardson, a British mathematician who turned his hand to questions of military strategy, has been cited fairly frequently by American behaviorists, and less often by British scholars. For the attention paid to Richardson by Americans, see Richard B. Finnegan and John J. Giles, "A Citation Analysis of Patterns of Influence in International Relations Research," *International Studies Notes* 1 (Winter 1975), 11-21. For a similar observation on the work of Richardson, see Michael Nicholson, "The Methodology of International Relations: British and American Approaches," presented to the International Studies Association, March, 1985 (mimeo.), 4.

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are now in regular contact; and British contributors are often found on the pages of *World Politics* and *International Organization*. Nonetheless, P. A. Reynolds, a senior member of the British I.R. establishment, remarked, in an otherwise sympathetic review of an American book on interdependence, that

> its ethnocentricism . . . demonstrates the prevalent American unawareness of European writing in international relations. Most of the more significant advances in the study of the subject in the past three decades have indeed come from the United States, but Americans have not held a monopoly, and the very fact of a lower degree of insulation from the effects of external interactions and linkages on the part of Europe as compared with the United States has meant that the phenomenon of interdependence has commanded a good deal of attention.[2]

In addition to a common language, there are considerable parallels in the origin and development of international relations as a separate discipline, or field of study, in Britain and the United States. Soon after World War II, British and American scholars invariably took leading roles in UNESCO-organized meetings on the study of international relations. Scholars from elsewhere, especially those from the European continent, frequently stated that there was nothing in their countries to match the Anglo-Saxon experience in building international relations as a separate area of concentration in university teaching and research.[3]

In Britain, chairs in international relations were set up during the interwar years at the University College of Wales in Aberystwyth, at Oxford, and at the London School of Economics (L.S.E.). Starting with a commitment to the study of international organization and cooperation, the emphasis, in both Britain and the United States, began to shift in the late 1930s to a more central interest in power politics.[4] At the L.S.E., Charles Manning created an independent department of international relations and a curriculum less concerned with prescription than with description and analysis; it became the early introduction to the field for a good part of the British I.R. teaching profession in subsequent years.[5] At Aberystwyth, E. H. Carr finished work on his classic statement

[2] Reynolds, review of *The Dynamics of Interdependence* by Andrew M. Scott, *International Affairs* 59 (No. 3, 1983), 475.

[3] See C.A.W. Manning, *University Teaching of Social Sciences: International Relations* (Paris: UNESCO, 1954).

[4] See P. A. Reynolds, "International Studies: Retrospect and Prospect," *British Journal of International Studies*, 1 (No. 1, 1975), 1-18. For background on the study of international relations in Britain, another useful source is Brian Porter, ed., *The Aberystwyth Papers* (London: Oxford University Press, 1972).

[5] See the Preface by Alan James in the collection of essays written in honor of Manning: Alan James, ed., *The Bases of International Order* (London: Oxford University Press, 1973). Manning's own views are best examined in his principal work, *The Nature of International Society* (London: Bell, 1962).

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on realism, *The Twenty Years Crisis*, and in the Foreign Office, David Mitrany, early in World War II, worked out his ideas on functionalism.[6]

More recently, British and Americans have both adopted the broad umbrella of "international studies" to represent a loose arrangement for bringing into contact not only scholars dealing with the core issues of international political relations, but also those working on related military, economic, and social problems. The postwar interest in national security affairs in the United States, for example, was matched in Britain in two major ways. Traditional military history was enriched beyond battlefield description to strategic analysis by civilian scholars like Michael Howard. At the same time, Alistair Buchan, with substantial support by American foundations, broadened the field of strategic studies with the establishment of the International Institute of Strategic Studies (I.I.S.S.) in London in 1958. In the study of international political economy, British efforts found an important focus when the late Andrew Shonfield, with Susan Strange as a major collaborator, took over at Chatham House as the head of the Royal Institute of International Affairs in 1972. The development studies group at the University of Sussex has been a prominent center in examining the transition from empire to political independence in most of Africa and Asia; its members linked the examination of modernization processes to the more traditional concentration on African and Asian history, languages, and cultures in well-established institutions like the School of Oriental and African Studies (S.O.A.S.) in London. As Britain moved into closer and more complex economic and political relations with its West European partners, Chatham House also initiated a series of European studies in the late 1970s, with William Wallace as Director of Studies.

Broadly interpreted, the range and variety of British work in international studies are impressive. British scholarship is also connected with research and teaching in Canada, Australia, and New Zealand, as well as Africa and Asia, through university links that, like other cultural ties, have survived the end of empire. A significant number of young people from other Commonwealth countries study international relations at British universities, and British books and journals have an audience of scholars and students that extends beyond the British Isles. The participation of Americans in British programs, while limited, is not negligible. The I.I.S.S., as an international institute, has deliberately drawn a significant number of U.S. specialists into its ranks. Chatham House and the Council on Foreign Relations have retained a loose relationship that

[6] For an assessment of Mitrany's influence, see Paul Taylor's Introduction to David Mitrany, *The Functional Theory of Politics* (London: Martin Robertson, 1975), ix-xxv.

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stems from their joint creation after World War I; on occasion, it has led to a cooperative project. The International Relations Department at the L.S.E. is a favorite stopping place for American visitors, and American area specialists find it useful and important to check in at the S.O.A.S. as well as at the Institute of Commonwealth Studies in London, and with key British scholars at Oxford, Cambridge and other universities.

There is, nevertheless, a "distance" between British and U.S. scholarship on international relations that has persisted over the years. Part of that distance was dramatized by Hedley Bull and Morton Kaplan some 20 years ago in their "debate" in *World Politics* over the relative merits of traditional and scientific approaches to the study of international relations.[7] Another part is undoubtedly also attributable to the ethnocentricity among American scholars to which Professor Reynolds referred, and to their "unawareness of European writing." Ethnocentricity aside, however, differences also derive from "the effects of cultural differences between the two countries and the different positions of the academic communities in the two societies" (Stephen George, in Donelan, 207).

Some years ago, Arnold Wolfers identified and defined "the Anglo-American tradition in foreign affairs." The root of this tradition lies in the fact that the United States and Britain, principally by virtue of geography, were for a long time free from imminent fear of attack; unlike other major states, they thus enjoyed the opportunity for moral choice in international politics.[8] This tradition has come under pressure as technology transcended the limits of geography and created new vulnerabilities, first for the British and then for the Americans. The memory of privileged position may still affect the way they both look at the world, but sharp differences show up in the kinds of questions scholars are asking on both sides of the Atlantic, and the stands they are taking on how to study international relations.

Steve Smith has pointed to the Atlantic Ocean as, "in a very powerful way, a divide in the subject of International Relations." As he sees it, the two I.R. communities have taken different directions as often as similar ones, for several reasons. The first is the difference in historical experience: "British experience was as a great power in a multipolar

[7] For the original articles by Bull and Kaplan, and other responses to the debate, see Klaus Knorr and James N. Rosenau, eds. *Contending Approaches to International Politics* (Princeton: Princeton University Press, 1969).

[8] Arnold Wolfers and Laurence W. Martin, eds., *The Anglo-American Tradition in Foreign Affairs* (New Haven: Yale University Press, 1956).

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world, U.S. experience has been in a bipolar one. . . ." Even as close allies since World War II,

> the two states have . . . been faced with very different internal and external political and economic problems. . . . the external demands of [their] economies are very different indeed, and the decline of British power and its internal effect have no real parallel in American experience.

Additional reasons derive from differences in professional training, in the academic and research environments in which I.R. scholars work, and in their relations with their respective governments. In the United States, there are closer ties with the social sciences than with history and philosophy; greater pressures to publish in narrow, specialized fields; and more numerous connections with official agencies of government than in Britain.[9]

Differences can, of course, be overstated. The British I.R. community is no more monolithic than the American community. There are quantifiers and behaviorists in Britain, just as there are history-oriented students of international relations in the United States. Still, the dominant approaches in the two countries raise questions about the effects of national setting on scholarly research and the relations between the two communities in sharing, and building upon, their understanding of international phenomena. The four books under review help us confront these questions in two ways: they demonstrate a distinctly British approach to international relations and indicate how that approach differs from predominant research trends in the United States.

II

The books edited by Michael Donelan and by James Mayall—*The Reason of States* and *The Community of States*—are the results of work by an inter-university group of British scholars who have been meeting since 1974. Both Donelan and Mayall teach at the L.S.E. where Hedley Bull, until his untimely death in 1985 the Montague Burton Professor at Oxford, also taught. *The Expansion of International Society*, the book that Bull edited with Adam Watson (long a member of the diplomatic service), includes contributions from several non-British authors, but depends largely on British writers to develop a theme that has been

[9] Smith, "International Relations: British and American Approaches," paper presented to the International Studies Association, March 7, 1985 (mimeo). This paper now serves as the introduction to Smith's edited book, *International Relations, British and American Perspectives* (London: Blackwell, 1985). The book, which develops some of the same themes as this article, was not available at the time of writing.

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central to British efforts at theory building in international relations. Finally, *Conflict in World Society*, edited by Michael Banks, another L.S.E. faculty member, differs from the other volumes in two respects, and by these differences helps to clarify the distinctiveness of the British approach. First, Americans have contributed the Foreword and three of the twelve chapters; second, the transnationalist theme of "world society," based on the work of John Burton, is presented as an alternative to the more state-centric concept of "international society" that has distinguished mainline British scholarship.

Hidemi Suganami has called mainline British scholarship in international relations "institutionalist"—not with reference to static institutional arrangements, but rather to "a cluster of social rules, conventions, usages, and practices" that are agreed upon and accepted as the bases for state behavior.[10] It is not "realist," "idealist," or "functionalist," but rests on the observation that, while international relations may be decentralized and anarchical, there are wide areas of order in the relations among states. The task that the institutionalists set for themselves has been to investigate how this order has come about. Their method has been primarily historical. They have found the basis of order in the emergence of an international society in the relations among European states, formally institutionalized with the Peace of Westphalia in the 17th century, and brought under strain with the weakening of its European power center in the 20th century. This order has nonetheless left a legacy in the idea of the *state*, the nature of *sovereignty*, and the institutions of *diplomacy* that provide the elements for a more universal society of states. But whether these elements, while necessary, are sufficient to create order in a wider and more complex world is very much an open question.

This open question is the focus of greatest attention in the books edited by Donelan and by Mayall, and in the Bull and Watson volume. The first two books can be taken together, since they emerged from the same study group and, with a few exceptions, share the same set of contributors. The underlying purpose of both books—and of the study group—is to explore the need and the bases for a theory of international relations. In his introduction to *The Reason of States*, Donelan explains how two groups of "teachers" have influenced the present generation of international relations specialists in Britain; in the end, however, he

[10] Hidemi Suganami, "The Structure of Institutionalism: An Anatomy of British Mainstream International Relations," *International Relations* 7 (May 1983), 2363-81. For a view that is very critical of this school of thought, see Roy E. Jones, "The English School of International Relations: A Case for Closure," *Review of International Studies* 7 (January 1981), 1-14.

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contends that both of them left their students without an agreed-on theory or a set of overarching concepts to guide their teaching and research. One group consists of those American specialists who "insisted that international relations is a science" and "that there is coherence in the world." They "gave us a deep mistrust of . . . moralism," Donelan says, and "swept away" both "idealism" and "realism." But they handled "their data uncritically," without "history" or "passion" and, finally, "threw out moral reason," as well. At the same time, the second group, their own British teachers, "were historical, philosophical . . . more deeply concerned with norms and values"; but "they rarely allowed their own theorising to appear. The style was contemplative" (pp. 16-17).

Martin Wight appears to have had an unusually profound influence on many of the authors in all four of the books under review. Wight taught international relations at the L.S.E. until the early 1960s, when he left to join the faculty of the University of Sussex. He died in 1972, leaving only a small number of published works—enough, as Michael Howard has put it, "to give only a glimpse of the qualities which so awed his pupils, his colleagues and his friends."[11]

Brian Porter summarizes Wight's thinking in a chapter in the Donelan volume, entitled "Patterns of Thought and Practice: Martin Wight's International Theory." Wight provided a synthesis of history and theory by fitting them into the three major traditions of Machiavellians, who focus on the power of states; Grotians, who focus on the rules that organize relations among states; and Kantians, who focus on the common humanity of all peoples. These three categories were "a convenient way of arranging not only a multitude of ideas but also international politics 'in action' throughout the long history of Western civilisation" (p. 71). Wight himself, however, began to go further, drawing out the debate among these three traditions and developing a more personal set of ideas. These he derived from his own Christian pessimism, in which international politics presents statesmen with terrible choices of life or death, but with few regularities and certainties on which to depend for guidance. His work, however, was still tentative and incomplete when he died.[12] Michael Howard has succinctly summarized Wight's attitude

[11] Michael Howard, *The Causes of Wars*, 2d ed., enlarged (Cambridge: Harvard University Press, 1984), 49. This essay by Howard is from his Martin Wight Lecture, in a series sponsored by the L.S.E. For another important contribution in that same series, see Hedley Bull, "Martin Wight and the Theory of International Relations," *British Journal of International Studies* (No. 2, 1976), 101-116.

[12] Wight's revision of his major work, *Power Politics*, was unfinished at his death. It was subsequently edited and published with a helpful introduction by Hedley Bull and Carsten Holbroad (New York: Holmes & Meier, 1978).

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toward international relations as a field of study, as well as his notion of the role of theory:

> For him, International Relations did not consist of a succession of problems to be solved in conformity with any overarching theory. Rather, like the whole of human life, it was a predicament; one to be intelligently analysed, where possible to be mitigated, but if necessary to be endured—and the more easily mitigated and endured if it could be understood. . . .[13]

III

In many respects, the Donelan-Mayall group works in this Wightian mode. Both editors, in their introductions to the books, emphasize the need for theory. But when all is said and done, what they offer is a useful description of international relations as a field rather than any coherent set of ideas of predictive value about how they operate. *The Reason of States*, for that matter, is a well-ordered analysis of some of the major problems involved in working out a coherent theory of international relations. What are the boundaries of international relations? How does one deal with data that are constantly changing? How does one achieve objectivity? Is objectivity possible, for that matter?

The book emphasizes the place of history and the role of political theorists in giving meaning to the state of international relations at certain periods of time. The point is that the world today, and especially the institutions and modalities of international relations, are the products of historical development. Especially as interpreted by political theorists, they can be understood only in terms of their history. At the same time, their contemporary condition, involving what Mayall, in his introduction to *The Community of States*, calls a "global interdependence," requires an understanding of (a) the state, (b) relations between states, and (c) the "moral bonds between men living in separate states" (p. 2).

In his essay in *The Reason of States*, "International Society and International Theory," Mayall sets the groundwork for the essential theme of *The Community of States*. At the very start, he reasserts "the concept of 'international society' as central to international theory" (Mayall, in Donelan, 122). He traces the evolution of the European-centered international society and how, during the age of imperialism, it involved a double standard. Under the Westphalian principles, states pledged not to intervene in each other's affairs and to recognize each other's sovereignty. But under imperialism, the Europeans chose the "barbarian option": they assumed no obligation to abide by the rules of international

[13] Howard (fn. 11), 50.

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society on the peripheries. In our day, Mayall goes on, "there are no more barbarians; both the right to independence and the right of all independent states to participate in international society have been universally accepted . . ." (p. 129).

What the European experience provides for this expanded international society is essentially, as Mayall suggests, a set of procedures, largely in the institutions and traditions of diplomacy. It is the problem of going beyond these procedures and finding the "moral bonds" of a more universal society of states that chiefly occupies the attention of the study group in *The Community of States*. In the introduction, Mayall offers his own prescription, which, significantly, pays tribute to the inspiration of Martin Wight:

> Once it was Christian civilisation which provided the cultural and symbolic framework for the Western Society of States; in the contemporary world it is the common preoccupation of states with the organisation of material life. The appeal for economic co-operation, as Martin Wight was perhaps the first student of international relations to perceive, now occupies a parallel place in international diplomacy to the invocation of Christendom against the Turk in Western diplomacy before 1856 (p. 10).

The contributors to *The Community of States* do not entirely accept Mayall's prescription, though they follow his lead that the basis for a universal society of states must be compatible with the interests of states. This need to reconcile the society of states with national interests is a response, in many respects, to Brian Porter's conclusion that "international society as a whole has been unable to find a cause of enough emotional appeal, or an enemy sufficiently alarming to turn itself into a real community on a world scale" (p. 55). The state remains a center of political attachment and only with that in mind is it possible to reach out for a larger sense of community. Hidemi Suganami thus sees a role for international law, but only if there is a shared vision of the world on which order can be founded. Barrie Paskins asks whether the advent of nuclear weapons has sufficiently terrorized the world into a sense of community, and Michael Donelan questions whether global concerns like population pressures and environmental degradation awaken an idea of common good. Donelan maintains that "the pursuit of the common good" is the only reasonable response to the reality of "common problems" faced by "all men in all countries" (p. 142). But he then goes on to admit that most statesmen will see problems this broadly only if they can also satisfy narrower national interests. Whether national interests and a more universal "common good" are always compatible is, unfortunately, very problematic.

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Zderek Kavan is explicit on this point when he examines human rights as a way of creating a basis in values for greater community in the world. He shows how "the protection of human rights has been progressively internationalized since 1945," but how, at the same time, the degree of consensus has been severely limited by "problems of interpretation and application." Human rights involve, in the most direct way, the relations between the state and its citizens. Thus, despite the Universal Declaration of Human Rights and the International Covenants on Political and Civil Rights and on Economic, Social, and Cultural Rights—and a range of other widely supported international agreements that presumably mark shared values beyond national boundaries—"states still dominate the issue and ensure that sovereignty takes precedence" (pp. 136-38).

The Reason of States and *The Community of States*, taken together, wrestle with the paradox of a world that is increasingly integrated, especially through economic and technological processes, but continues to be politically fragmented because of the persistence of the state as the major source of power and esteem. In such a situation, the quest for order (let alone justice) in international relations requires a reassertion of the idea of community which, in turn, as Mayall puts it, requires some idea "of what it is that men hold in common and why" (Mayall, 2). The European-centered international society that operated for several centuries is both a model and a source of historic arrangements for the conduct of international relations. But, unfortunately, the bonds that tie states together beyond the procedures of diplomacy are weak. Even a sense of responsibility on the part of statesmen—which Moorhead Wright suggests can lead to a common interest for all—loses intensity as political leaders shift their attention from the needs of their own people to the concerns of other countries even before reaching an overall sense of the common good. The prospects for community are not encouraging.

IV

The Expansion of International Society ends up on an equally pessimistic note—though the editors, Bull and Watson, in their concluding summary allow that the world may not be as anarchical and disorderly as it appears. The book is largely historical, describing the development of European international society, its expansion into non-European regions, and the challenge to Western dominance that developed with the end of European rule and the decolonization of Asia and Africa. The editors define international society as

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> a group of states . . . which . . . have established by dialogue and consent common rules and institutions for the conduct of their relations, and recognize their common interest in maintaining these arrangements (p. 1).

Watson shows how, in the early evolution of European international society, "two fundamental principles" emerged "which determined the rules and institutions of that society": they were "that all member states were to be regarded as juridically equal and that their sovereignty was absolute." It was nevertheless recognized that juridical equality could not mask differences in power. Four sets of institutional arrangements thus grew up to provide order under conditions of unequal power, especially as relations among states began to change because of the impact of science and technology. These institutions were: the practice of balance of power to protect the independence of members from the dominance of a hegemonic state; a set of rules codifying agreed-upon norms in international law; periodic assemblies of rulers to settle crises in international society and reestablish the bases for managing change; and a network of diplomatic missions to maintain a continual dialogue among participants and facilitate the operation of the whole system of relations (pp. 23-25).

European international society was transformed into global international society as the European states began to reach out and penetrate other regional systems of international relations. This transformation was not simply the result of the imposition of European-originated rules over others; it was a more complex process. In areas where European settlements took root, the acceptance of European rules was a matter of course. In other areas, where well-established indigenous cultures supported traditional rules of behavior, adjustments were made so that Europeans operated under specific agreements that respected local customs. In still other areas—especially in Africa and parts of Asia during the 19th century—the Europeans adopted Mayall's "barbarian option": they established control without either extending the rules of international society to native groups or respecting their rights and prerogatives.

However complex the process of the transformation of international society from a European to a global basis, the centrality of the sovereign state and the institutions of formal diplomacy remained the constant elements. In their conclusions, Bull and Watson observe that "the most striking feature of the global international society of today is the extent to which the states of Asia and Africa have embraced such basic elements of European international society as the sovereign state, the rules of international law, the procedures and conventions of diplomacy and

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international organization" (p. 433). But there is little assurance, from anything that is said in the book, that these new states have a strong sense of what the editors, in their definition, term a "common interest in maintaining [the] arrangements" of international society. In a number of the essays, there is considerable argument that the "procedures" of international society (not to speak of the moral cohesion) are weakened by the heterogeneity of states, by the difficulties many states have in maintaining domestic control and thus exercising sovereignty, and by the ignoring of even rudimentary diplomatic practices by terrorists and, in some cases, by governments committed to radical transformation in international politics.

The final part of *The Expansion of International Society* is entitled "The New International Society," but is introduced by Elie Kedourie in a section provocatively headed "The New International Disorder." According to Kedourie, disorder in international relations has been the result of the introduction of, first, the idea of national self-determination and then, the doctrine of class struggle. Beginning with World War I, these new elements destroyed the balance of power and the bases for order in the European society of states. They were given new energy after World War II with the final breaking up of the European empires. In the third world, unrestrained nationalism has been combined with the transformation of class warfare to become a struggle between the countries of the "North" and the "South." It is a struggle, so the argument goes, in which the Soviet Union fans the flames of disruption and dissatisfaction. What is significant is that the process of "decolonization" was permitted to develop at the end of the war, particularly by the United States, without giving "any thought . . . to the way the new worldwide society of states was to operate" (p. 350).

The essays that follow Kedourie's introduction project a somewhat less turbulent world, but one in which the rudiments of traditional international society are nevertheless under serious strain. Ada Bozeman emphasizes that diplomacy, largely directed by Western governments, can operate only with difficulty in a world of states that lack a common history. There are, moreover, "more states to quarrel and more questions to quarrel about," as Ian Brownlie puts it (p. 369). Diplomacy is now more multilateral than bilateral, more public than discreet, and broader in scope than before, encompassing a wide range of economic and social issues beyond traditional political matters. While there appears to be general agreement with Michael Palliser that, despite these changes, "the fundamental nature of and the need for diplomacy remain unchanged" (p. 385), there also appears to be no escaping Bozeman's conclusion that

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> occidental diplomacy must henceforth be prepared to function again, as it did before the nineteenth century, in a world that has no common culture and no overarching political order, and that is no longer prepared to abide by western standards of international conduct (p. 406).

We may indeed be left with the institutions of European international society, but, as Bull and Watson state at the end, they could be "strained . . . to [the] breaking point" under the impact of the North-South struggle. The danger comes from the Southern countries seeking "to reform international society to take account of their own interests" and the Northern ones failing "to see that it is only by adjustments to change that the international society they created can remain viable" (p. 435). Some agreement on the nature of that change must, of course, be found. But what should it be? Finding agreement involves the same problems that the Donelan-Mayall group had in identifying the basis for a new "community of states." It may be too much to expect that agreements, in the short term, will take the form of a consensus on values or understanding of the "common good." More pragmatically, it may emerge from negotiations and compromises in dealing with the more integrating process of economic transactions from Mayall's "appeal for economic cooperation." But whether new arrangements for order will, at the same time, be built on traditional Eurocentric ideas of international society is another matter.

V

In many respects, the perspective in *Conflict in World Society* is a challenge to the state-centric basis of traditional international society. Michael Banks, the editor, has collected a series of essays that examine the implications of John Burton's world-society approach to international relations. Burton, an Australian diplomat-turned-scholar, came to University College in London in the 1950s; in a series of writings, he not only introduced a less state-oriented view of the world, but also argued that any theory had to provide the grounds for dealing with the most important issue in international relations, the resolution of conflict. It is an approach highly normative in its purpose.

In an elegantly written introductory chapter, Banks places Burton's ideas in the context of recent developments in international relations theory. He contends that both idealism and realism suffered from the same "static, state-centric view of the international system . . ." (p. 10). Neither could adequately contend with changes in international relations, especially after World War II. The "behavioral revolution," based largely in the United States, provided a critique of the dominant school

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of realism, demonstrating that states are not the only actors in international relations and that they are not unitary decision-making units. But Banks appears to agree with Donelan (and most British critics) that "behaviorism" often tended to deal with second-order matters, overdoing quantification and lacking theoretical direction. From Banks's perspective, behaviorism as a methodology did a wrecking job on realism, which had earlier done a wrecking job on idealism.

What evolved in what Banks now calls the "post-behavioral" era is a separation of theorists into three major schools. On one side are those who, having assessed the more complex international system, still insist on the primacy of the state, the dominance of political over economic interests, and the continued viability of realist concepts, principally the balance of power. This position is very close to that of mainline British scholars. On the other side are global-centric structuralists, emerging from a neo-Marxist critique of world capitalism and adopting a world-system approach to international relations. In the center, representing a very significant movement in the United States, are those pluralists who acknowledge the importance of the state without devaluing the significance of other actors, and who see different configurations of power and influence in different issue areas. Each of these schools has its own deficiencies. Realism continues to ignore transnational transformations in the world; structuralism assumes an unacceptable degree of determinism; and pluralism as realism-plus-grafted-on-components lacks clarity in trying to reconcile competing approaches.

For Banks and his colleagues, John Burton's world-society approach to the study of international relations is an alternative to all three schools. As Banks—and others—describe it, the Burton model is like a cobweb. It views the world as a tangle of relationships among multiple sets of actors, taking a comprehensive approach and adopting the perspective of general systems. The actors are not only states, but also "political parties, business firms, ethnic communities, ideological groups, and many others" (p. 19). To understand their behavior, one must understand their values—what they stand for and what they want. The attention in international relations thus shifts from the specific and narrow aims of states, such as security and stability, to a broader set of "human needs." From this point, as Herbert Kelman indicates in his Foreword, the Burton approach opens the way for a policy shift "from . . . the exercise of power, leading to adversarial and coercive methods for enforcing legal and social norms, to . . . the analysis of relationships leading to . . . interactive problem-solving methods for satisfying human needs" (p. xix).

Several of the essays in *Conflict in World Society* seek to fill gaps in

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the world-society scheme; others report on the application of Burton's concept to the process of conflict resolution. C. R. Mitchell, for example, explains that it is still necessary to identify different systems (or categories) of relationships within the "cobweb" of world society, to uncover the factors that influence interactions, and to find links between different systems. Both he and Margot Light define legitimacy in any system of relationships in terms of the satisfaction of human needs. The task of problem-solving workshops derived from the world-society approach (described by Light) is to persuade decision makers who find themselves in conflict to move toward mutually enforcing positions in which the needs of both can be satisfied and their relationship legitimized. For its advocates, the world-society approach provides a way of managing change with a minimum of conflict and coercion. It spans the distance, as A.J.R. Groom puts it, between "practitioners and academics" by bridging "the gap between theory and practice." But first, as Groom also admits, "academics and practitioners alike have to be convinced by this novel approach" (p. 207).

The truth is that Burton's world society has been accepted more as a critique of conservative approaches to international relations than for the strength of its own structure of analysis. Christopher Hill underscores some of the most important problems in his essay, "Implications of the World Society Perspective for National Foreign Policies" (pp. 174-91). There is, for one thing, a lack of differentiation in the world-society analysis. There is a recognition of multiple actors, but no means of weighing their different effects, or how they differ in function. The state may not be the exclusive or even the absolute unit of analysis, as the perspective of traditional international society insists; but the strength of its position, and perhaps its centrality, cannot be ignored by simply recognizing that there are other actors. There are indeed a number of different actors in international relations today, but some are more important than others—just as all states are juridically equal, but some are politically more powerful than others.

Moreover, there is a lack of definition of "human needs" in the Burtonian scheme of things. In one way, the concept seems to serve the same purpose in bringing about order and stability which that of overarching common goods does in the Donelan-Mayall group's quest for community. The term "human needs" appears to be an abstract way of identifying the accumulation of mutually satisfying needs of different groups. Groups pursue legitimate relationships to the extent that their needs are satisfied. But just as the quest for common goods to provide the moral bonds of world community encounters the obstacles of short-

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term competing demands, so the human needs of some are not necessarily, or even potentially, compatible with those of others. What is required, as Light says in her essay, is the pursuit of "enlightened self-interest" (p. 159). By acknowledging the need for enlightenment, however, Light drives home the forcefulness of the realists' insistence on a narrow version of interest.

Finally, the emphasis on problem solving in the world-society approach is largely process-oriented, without an equal concern for the substance of the issues over which groups or states are in conflict. Conflicts and their resolutions are seen in terms of relationships among individuals, of problems to be solved by confronting the antagonists with their own perceptions and with the alternatives through which their needs can be satisfied without coercion. There is no sense of what it means when individuals act for states (or corporations, or churches) rather than in their personal interest, or when they are involved in conflicts over material resources—as opposed, let us say, to abstract issues like political recognition. Nor is any attention given to the way in which the structure of relationships in a particular issue area affects behavior—the structure of markets, for example, when dispute is economic in nature; or, when individuals represent states, the structure of international politics itself, with its lack of central government and its decentralization of authority.[14]

Whatever its problems, the world-society approach recognizes a broad set of realities that has been largely ignored by the more Eurocentric international society scheme. Mitchell, as an advocate of Burton's work, still writes critically and searchingly of the gaps in its analysis. His main point is that the world-society scheme opens up new ways of dealing with the intractable problems of international relations, which he finds closed off by the limiting assumptions of traditional thinking. By the same token, the Donelan-Mayall group finds it necessary to go beyond the parameters of Eurocentric international society. In their case, there is less disavowal of its basic elements. The search for new sources of cohesion in world politics still rests on the essential and enduring role of the state and on the continued utility of traditional diplomacy. Bull and Watson rest their case largely on a renewal of the rudiments of traditional international society, even though they acknowledge "that the changes wrought by Third World majorities have affected the legal and moral climate of world politics profoundly . . ." (p. 228). What is less forcefully stated is how changes are rooted in the great gap in

[14] For another view of this point, see Chris Brown, "International Theory: New Directions?" *Review of International Studies* (July 1981), 180.

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development between "North" and "South," and the bitterness produced by Western imperialism (though this point is dramatically made in an essay by Ali Mazrui, pp. 289-308).

VI

The four books hold different positions with regard to what Suganami has called "institutionalism," the mainline British scholarship in international relations, concentrating as it does on the legacies from traditional international society of state, sovereignty, and diplomacy. *The Expansion of International Society* adheres most closely to institutionalism (though several of the contributors differ with the position taken by the editors); *The Reason of States* and *The Community of States* seek to build new theoretical notions on the bases of international society; and *Conflict in World Society* deliberately and completely rejects the fundamentals of the traditional approach. But, in quite different ways, they all testify to the real dilemma that scholars on both sides of the Atlantic (and beyond) have faced in recent years in trying to construct a theory of international politics. The exercise has not been simply academic. It has been part of a deeply felt concern to understand whether or not international relations, as it has moved from its European center, has been basically changed by the advent of nuclear weapons, a new worldwide system of economic relationships, and the participation of peoples from all over the world, with different histories, cultures, and values.

In attacking these problems, scholars in the United States have given less attention to the idea of international society than those in the tradition of mainline British scholarship. In many ways, the idea of an international society derives from the experience of European, and particularly British, history—especially through the 19th century. American scholars, even when they are history-oriented, give more attention to the period after World War II, which they see not only as the ebbing of Eurocentric international society, but also as the rise (and more recent waning) of American hegemony. The central question then arises whether or not order and stability in international relations require the application of hegemonic power. There is less concern with the restoration or reconstitution of traditional international society than with "international regimes" derived from the exercise of hegemonic power after World War II. Realists like Kenneth Waltz and Robert Gilpin consider hegemonic power to be a requirement for stable change that still emerges, like an iron law, from the decentralized nature of international politics. Pluralists like Robert Keohane and Joseph S. Nye, Jr.,

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regard collective management through the operation of international regimes to be necessary for stability in the absence of an effective hegemon. Both groups, like most British scholars whatever their orientation, reject the determinism of the critics of world capitalism who, like Immanuel Wallerstein, expect order to come only with the end of class struggle and the emergence of a socialist-dominated world.

In comparing trends in Britain and the United States we find a great deal of intellectual diversity. There are many roads to understanding, with few guides on making choices. Waltz views recent efforts at theorizing with disappointment: "Nothing seems to accumulate," he observes, "not even criticism."[15] But the process of cumulative knowledge, which is a characteristic of the growth of any science, may be only one way of looking at the world. Michael Banks, in his introduction to *Conflict in World Society*, takes a more Kuhnian slant. In many respects it is shared by Donelan and Mayall in the introductions to their books, despite the difference between Banks's advocacy of Burton's work and the more state-centric scheme within which Donelan and Mayall choose to work. Banks argues as follows:

> The "real world" of global politics is not a naturally given state of affairs like the physical environment. Its extreme complexity does require elaborate empirical work in order to describe its condition at any one time. But the task of explaining it is not a matter of hunting down immutable laws. It is an explanation of the manner in which some political ideas have become political facts, whereas others have not. Ideas come from thinkers, and are put into practice either directly where thinking men assume power, or indirectly where the powerful interpret the world and act in it according to the lessons they learned in their youth.
>
> To seek an understanding of international relations, therefore, is to take part in a debate between competing sets of ideas . . . (p. 4).

Waltz's concern for a more systematic growth of understanding and Banks's call for a debate among sets of ideas may not be incompatible. They only become so when scholars cling to the certainty of ultimate truth, or to one set of ideas about that truth, with such unrelenting dogma that debate becomes impossible. It is important, however, that the debate be international in scope. However they try to stand apart, scholars cannot completely escape being caught up in the historical experience and policy demands of their own country. That is especially true of academics in the United States, where foreign policy decisions have worldwide implications and where an open society exposes decision

[15] Kenneth Waltz, *Theory of International Politics* (Reading, MA: Addison-Wesley, 1979), 18.

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making to continual examination. Generalizations flow from an immersion in the contemporary American experience because it is so compelling and offers such an open record. British scholars have somewhat the same problem. In their case, it is not rooted only in the open record that a democratic society provides (though, in comparison with the United States, British traditions allow for slower access to public records and less inclination on the part of public officials to leak information or rush into print on leaving office). Just as American scholars have been drawn into the drama of their country's assumption of world leadership, so British scholars have been absorbed by the equally fascinating problems that Britain has faced in adjusting to a more limited role in world politics.

Common language offers British and American scholars the special opportunity to become engaged in each other's search for understanding international relations, and thus to expand the scope of their efforts. Connections with the British open the doors into a different historical experience. Both the United States and Great Britain have encountered great-power status, but under different conditions and in different times. There is thus room for comparison and for testing propositions under varied historical circumstances.

There is risk, of course, in remaining exclusively within the Anglo-American tradition in foreign affairs. The search for meaningful understanding in international relations needs to go far beyond the historical experience of both countries, however useful the connection. In a significant article published in 1960, Martin Wight asked: "Why is there no International Theory?"[16] By international theory, he meant "a tradition of speculation about relations between states, a tradition imagined as the twin of speculation about the State to which the name 'political theory' is appropriated." In this sense, he found international theory marked "not only by paucity, but also by intellectual and moral poverty." The two main reasons, for Wight, were the focus by theorists on the state almost exclusively, and the assumption that stability within the state was an end by itself with little concern for stability among states.

There is now, 25 years later, less "paucity" in international theory, though, if Waltz is right, there is still little cumulative understanding. It may not, however, necessarily be a case of "intellectual and moral poverty." The very structure of international relations has changed so drastically that cumulative understanding will only be possible once the

[16] Wight, "Why Is There No International Theory?" *International Relations* 2 (April 1960), 35-48.

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nature of those changes has been fully comprehended: the change in the function of military force, in the scope and importance of economic relations, and in the breakdown between domestic and international politics. Different countries are going through these changes under different conditions with different policy and research agendas. Theory building in international relations must, like the quest for stability itself, be an enterprise in global cooperation. It requires many different connections—among which, for Americans, the British connection has special significance and special opportunities.

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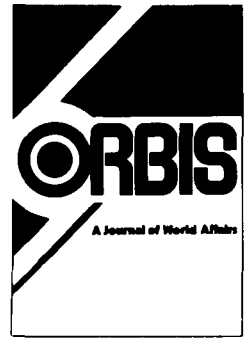

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